DIOCESE OF PENSACOLA – TALLAHASSEE
ADMINISTRATIVE OFFICES

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2019

Warren Averett
CPAs AND ADVISORS

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ADMINISTRATIVE OFFICES
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Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

To The Most Reverend William A. Wack, CSC
Bishop of the Diocese of Pensacola – Tallahassee

We have audited the accompanying financial statements of the Diocese of Pensacola - Tallahassee Administrative Offices (the "Diocese"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Pensacola-Tallahassee Administrative Offices as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Diocese adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter

Warren Averett, LLC

Pensacola, Florida
October 29, 2019

DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

ASSETS	
Cash and cash equivalents	$ 34,461,027
Investments and beneficial interest in perpetual trust	54,373,016
Accounts receivable from related parties, net	1,909,310
Loans receivable from related parties, net	8,656,852
Prepaid expenses and other assets	669,159
Cash surrender value of life insurance policies	833,136
Land, buildings, improvements and equipment, net	18,910,307
Priest pension plan	1,200,832
TOTAL ASSETS	$ 121,013,639

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued liabilities	$ 5,683,002
Deposits payable to related parties	49,438,453
Deferred revenue	1,831,032
Reserve for insurance losses	1,048,424
Total liabilities	58,000,911
NET ASSETS	
Without donor restrictions	53,174,374
With donor restrictions	9,838,354
Total net assets	63,012,728
TOTAL LIABILITIES AND NET ASSETS	$ 121,013,639

See notes to the financial statements.

DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue			
Parish assessments	$ 2,898,015	$ -	$ 2,898,015
Catholic Sharing Appeal	2,841,626	-	2,841,626
Contributions	10,147	1,671,529	1,681,676
Program revenue	461,251	-	461,251
Interest income	725,677	-	725,677
Insurance premiums	6,234,697	-	6,234,697
Other income, net	565,792	-	565,792
Total support and other revenue	13,737,205	1,671,529	15,408,734
Net assets released from restrictions:			
Satisfaction of program restrictions	529,201	(529,201)	-
Total support, other revenue, and net assets released from restrictions	14,266,406	1,142,328	15,408,734
Expenses			
Program expenses	10,880,944	-	10,880,944
Diocesan administration	2,097,905	-	2,097,905
Development expenses	397,018	-	397,018
Total expenses	13,375,867	-	13,375,867
Income from operating activities	890,539	1,142,328	2,032,867
Nonoperating activities			
Investment income, net	3,207,546	648,490	3,856,036
Gain on sale of property	1,928,820	-	1,928,820
Net claims expense from Hurricane Michael	(291,268)	-	(291,268)
Transfer investment in Fox Trace	(1,545,863)	-	(1,545,863)
Pension related changes other than net periodic pension cost	(856,275)	-	(856,275)
Total other changes in net assets	2,442,960	648,490	3,091,450
CHANGES IN NET ASSETS	3,333,499	1,790,818	5,124,317
NET ASSETS AT BEGINNING OF YEAR	49,840,875	8,047,536	57,888,411
NET ASSETS AT END OF YEAR	$ 53,174,374	$ 9,838,354	$ 63,012,728

See notes to the financial statements.

DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Ministry	Education Seminarians and Vocations	Self-Insurance Program	Deposit and Loan Activities	Plant Activities	Total Program	Development	Diocesan Administration	Total
Compensation and benefits	$ 490,387	$ 533,954	$ 100,303	$ 51,283	$ -	$ 1,175,927	$ 129,763	$ 1,144,799	$ 2,450,489
Direct program expense	418,987	249,396	80,366	-	-	748,749	-	64,341	813,090
Subsidies	719,550	-	-	-	-	719,550	-	-	719,550
Computer hardware and software	2,450	36,795	-	1,800	-	41,045	3,510	76,080	120,635
Education and training	16,095	109	-	-	-	16,204	-	179	16,383
Office supplies, postage, and dues	47,881	11,970	4,768	847	1,210	66,676	37,489	208,230	312,395
Media and advertising	5,177	555	-	-	-	5,732	-	2,465	8,197
Rentals and repairs	4,936	80	150	-	24,994	30,161	-	84,543	114,704
Services	86,104	16,733	3,312	38,632	7,439	152,220	-	213,334	365,554
Travel and conferences	19,693	28,712	11,628	-	-	60,033	2,911	32,486	95,430
Utilities and communications	19,229	5,658	-	-	14,522	39,408	1,592	111,286	152,286
Other	102,991	10,320	67	-	118,197	231,575	221,753	138,468	591,796
Insurance premiums	-	-	6,275,549	-	-	6,275,549	-	-	6,275,549
Interest paid on deposits	-	-	-	781,972	-	781,972	-	-	781,972
Depreciation	-	-	-	-	536,143	536,143	-	21,694	557,837
Total expenses	$ 1,933,480	$ 894,282	$ 6,476,143	$ 874,534	$ 702,505	$ 10,880,944	$ 397,018	$ 2,097,905	$ 13,375,866

See notes to the financial statements.

DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 5,124,317
Adjustments to reconcile change in net assets to net cash operating activities:	
Depreciation	557,837
Gain on sale of property and equipment	(1,928,820)
Realized and unrealized gains on investments	(2,267,164)
Transfer of ownership interest in Fox Trace	1,545,863
Increase in cash surrender value of life insurance policies	(139,098)
Change in insurance loss reserve	(24,337)
Decrease (increase) in:	
Accounts receivable	(1,610,622)
Prepaid expenses and other assets	(97,251)
Priest pension plan	610,528
Increase in:	
Accounts payable and accrued liabilities	4,635,265
Deferred revenue	49,131
Net cash provided by operating activities	6,455,649
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of land, buildings, improvements and equipment	(901,681)
Proceeds from sale of property and equipment	1,969,265
Fox Trace transfer of cash	(372,355)
Collections on loans	3,337,928
New loans issued	(1,918,520)
Purchase of investments	(19,614,610)
Proceeds from sale of investments	17,283,703
Net cash provided by investing activities	(216,270)
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in deposits payable	6,014,339
NET INCREASE IN CASH	12,253,718
CASH AND CASH EQUIVALENTS, BEGINNING	22,207,309
CASH AND CASH EQUIVALENTS, ENDING	$ 34,461,027

See notes to the financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Diocese of Pensacola – Tallahassee Administrative Offices (the "Diocese") was formed in 1975 and includes the 18 western counties of the State of Florida. The Diocese is a Corporation Sole, which is a not-for-profit corporation existing under the laws of the State of Florida. There are no stockholders, directors or officers in the Corporation Sole other than the holder of the Office of Bishop of Pensacola - Tallahassee (the "Bishop"). The Bishop holds title to all assets and is liable for all indebtedness of the Corporation Sole. The title to all assets and the responsibility for all indebtedness passes to the Bishop's successor in office.

Principles of Consolidation Applied Through March 3, 2019

In accordance with generally accepted accounting principles, the accompanying financial statements include the financial activities of the Diocese and its wholly-owned subsidiary, Fox Trace Housing, Inc. ("Fox Trace"). The Diocese transferred ownership of Fox Trace to the Bishop effective March 4, 2019; therefore, the accompanying financial statements include operations for the period July 1, 2018 through March 3, 2019. Fox Trace operates an affordable apartment complex in Panama City, Florida. The Diocese and its wholly-owned subsidiary are collectively referred to as the "Diocese" in the accompanying financial statements. All significant intercompany transactions have been eliminated in the accompanying consolidated financial statements.

Basis of Accounting

The Diocese follows standards of accounting and financial reporting prescribed for nonprofit organizations. The Diocese uses the accrual basis of accounting.

The accompanying financial statements include the assets, liabilities, net assets and financial activities at the diocesan level of administration. The Catholic Foundation of Northwest Florida, Inc., Catholic Charities, various religious orders, lay societies, foundations and religious organizations, which operate within the Diocese, but which are not fiscally responsible to the Bishop and parishes and their related institutions, have not been included in the accompanying consolidated financial statements.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Diocese and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions- are not subject to any donor-imposed stipulations. Board designated or appropriated amounts are not legally restricted and are also reported as part of the unrestricted class.

Net Assets with Donor Restrictions are subject to donor-imposed stipulations that may or will be met either by actions of the Diocese and/or the passage of time.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue Recognition
The Diocese's primary revenue is from assessments to the Diocesan parishes, Catholic Sharing Appeal, interest on loans and premiums charged to Diocesan parishes and schools for health, worker's compensation and general and property insurance. Upon receipt of any *promises to give* that are considered unconditional or legally enforceable, such contributions are recognized by recording a receivable and revenue at the time the promise is received. Donor-restricted contributions are reported as increases net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Significant estimates in these financial statements include the priest pension plan liability and the reserve for insurance losses. Actual results could differ from those estimates.

Cash and Cash Equivalents
The Diocese considers all highly-liquid investments purchased within three months of maturity to be cash equivalents.

Investments
Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value. Unrealized gains and losses are included in changes in net assets.

Cash Surrender Value of Life Insurance Policies
The Diocese is the owner and beneficiary of life insurance policies that cover the lives of certain priests. These life insurance policies have a cash surrender value, which is reported on the statement of financial position at the surrender value provided to the Diocese by the insurance carrier.

Beneficial Interest in Perpetual Trust
The beneficial interest in perpetual trust represents a donation of an irrevocable perpetual trust, where the Diocese is the sole beneficiary of the trust income. Under this agreement, the Diocese is not the trustee and does not exercise control over the related assets. The Diocese records the trust as a net asset with donor restriction, based on the market value of the trust's assets. Trust income is recorded as income in the period it is received.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value

The fair value accounting literature defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets, which may include quoted prices for similar assets or liabilities or other inputs, which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Accounts Receivable

The Diocese's accounts receivable are primarily due from Diocesan parishes for the Catholic Sharing Appeal and parishes and schools for insurance premiums. Management reviews the receivables periodically and provides an allowance for uncollectible accounts at a level, which, in management's judgment, is adequate to absorb potential losses inherent from uncollectible receivables.

Loans Receivable

Loans receivable consist of amounts loaned to Diocesan parishes, schools and related entities. Interest income is recognized monthly on outstanding loan balances at a current annual rate of 5.5%, unless special circumstances warrant a different rate. Accounts are generally considered to be past due and delinquent 30 days after the monthly due date.

Land, Buildings, Improvements and Equipment

Land, buildings, improvements and equipment acquisitions in excess of $500 are capitalized at cost, when purchased or at fair value at date of gift, when donated. Buildings and equipment are depreciated using the straight-line method over the useful lives as follows:

Buildings	30 years
Equipment	4 - 10 years
Furniture and fixtures	4 - 10 years
Vehicles	5 - 7 years

Deposits Payable

The Diocese maintains an investment program for the benefit of Diocesan parishes, schools and related entities. Deposits Payable represents funds these entities have placed with the Diocese for investment purposes. Interest is paid at a rate of 1.5 - 3% depending on the type of deposit, and the deposits are payable on demand.

Deferred Revenue

Deferred revenue consists of insurance premium payments received in advance for insurance coverage in a future period and are deferred and recognized as revenue in the period earned.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Allocation of Expenses

The costs of providing the various programs and supporting activities of the Diocese have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities. Most expenses are charged directly to program services, development, or administration based on specific identification. Accordingly, some costs have been allocated among the program, and supporting services benefited by allocations based on time and effort, occupancy costs or a weighted average square footage basis.

Tax Exemption

The Diocese, as part of the Roman Catholic Church in the United States, is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. The Diocese is not required to file a federal income tax return unless unrelated business income in excess of exempt amounts is earned. The Diocese is not aware of unrelated business income which would necessitate filing of a tax return. The Diocese is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The Diocese implemented the provisions of this new standard on July 1, 2018. In addition to changes in terminology used to describe categories of net assets, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

Events Occurring After the Reporting Date

The Diocese has evaluated events and transactions that occurred between June 30, 2019 and October 29, 2019, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. INVESTMENTS

Investments are recorded at fair value, determined from quoted prices in active markets for identical assets (level 1 inputs), and are summarized as follows:

As of June 30, 2019:	Cost	Fair Value
Corporate bonds	$ 7,781,107	$ 7,965,086
Corporate stocks	18,985,138	23,070,778
U.S. Government securities	7,757,636	7,912,560
Mutual funds	12,032,982	14,499,233
Beneficial interest in perpetual trust (Note 3)	924,963	925,359
	$ 47,481,826	$ 54,373,016

Investment return consisted of the following:	
Interest and dividends	$ 1,588,872
Realized and unrealized gains	2,267,164
	$ 3,856,036

3. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Diocese is the sole beneficiary of a longstanding perpetual trust that is required to be recorded on the Diocese's financial statements. The fair value of the trust's assets is recorded in the statement of financial position, and the change in the fair value each year is included in the statement of activities as a change in net assets with donor restrictions. Earnings from the trust are to be used for the education of priests. The trust consists entirely of marketable equity securities, fixed income investments and temporary cash investments. At June 30, 2019, the fair value of this trust was $925,359.

4. ACCOUNTS RECEIVABLE FROM RELATED PARTIES

Accounts receivable are summarized as follows:

Catholic Sharing Appeal	$ 502,994
Insurance premiums	119,216
Insurance proceeds	1,386,027
Parish receivables	76,762
Other	34,311
	2,119,310
Less allowance for doubtful accounts	(210,000)
	$ 1,909,310

5. LOANS RECEIVABLE FROM RELATED PARTIES

Loans receivable from related parties are as follows:

Loans receivable	$ 8,731,852
Less allowance for doubtful accounts	(75,000)
	$ 8,656,852

Annual maturities of loan receivables are as follows:

June 30,	
2020	$ 1,293,700
2021	857,550
2022	802,483
2023	793,261
Thereafter	4,984,858
	$ 8,731,852

During the year ended June 30, 2019, interest income totaling $667,668 was received from loans to related parties.

6. LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT

Land, buildings, improvements and equipment are summarized as follows:

Land	$ 9,465,835
Buildings and improvements	17,194,408
Equipment	670,769
Vehicles	172,960
Furniture and fixtures	728,378
	28,232,350
Less accumulated depreciation	(9,322,043)
	$ 18,910,307

Depreciation expense was approximately $536,000 for the year ended June 30, 2019.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of:

Accounts payable	$ 5,255,682
Second Collections payable	265,789
Catholic Sharing Appeal rebates	62,759
Accrued payroll and related items	98,772
	$ 5,683,002

See Note 11 for additional information concerning accounts payable related to claims pending from Hurricane Michael.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

Education	$ 7,456,644
Ministry and evangelization	661,143
Hurricane relief	1,318,382
Other	402,185
	$ 9,838,354

During the fiscal year, the majority of net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction of ministry and evangelization.

9. RETIREMENT PLANS

Priests' Pension Plan
The Diocese has a non-contributory defined benefit pension plan (pension plan) that covers all priests of the Diocese. Pension costs include current service costs, which are accrued and funded on a current basis and prior costs, which are amortized over 15 years. The plan assets are held in a separate trust. Participants are eligible for benefits at the age of 65 and ten years of credited service. The plan provides a benefit of $55.22 per month for each year of credited service, with a maximum benefit of $1,656.68 per month.

9. RETIREMENT PLANS – CONTINUED

Priests' Pension Plan – Continued
For the year ended June 30, 2019, there were 81 participants in the plan.

The following tables set forth further information about the defined benefit pension plan:

Benefit obligation, beginning of year	$ 8,865,412
Service cost	160,629
Interest cost	371,496
Amendments	193,286
Actuarial gain	689,324
Benefits paid	(456,751)
Benefit obligation, end of year	$ 9,823,396
Fair value of plan assets, beginning of year	$ 10,676,772
Actual return on plan assets	587,334
Employer contribution	216,873
Benefits paid	(456,751)
Fair value of plan assets, end of year	$ 11,024,228
Fair value of plan assets at fair value	$ 11,024,228
Projected benefit obligation	(9,823,396)
Net pension asset	$ 1,200,832

Amounts recognized in the statement of activities consist of the following:

Service cost	$ 160,629
Interest cost	371,496
Expected return on assets	(731,827)
Amortization of unrecognized transition obligation	133,272
Amortization of unrecognized prior service cost	24,037
Amortization of unrecognized actuarial loss	13,519
Net periodic pension cost	$ (28,874)

9. RETIREMENT PLANS – CONTINUED

Priests Pension Plan – Continued

Other changes in plan assets and benefit obligations previously recognized in changes in net assets without donor restrictions:

Unrecognized transition obligation	$ 533,094
Net prior service cost	450,021
Unrecognized actuarial net loss	2,063,718
Amounts previously recognized in net assets without donor restrictions, not yet recognized as periodic pension costs.	$ 3,046,833

Amortization payments paid during fiscal year:

Amortization of transition obligation	$ 133,272
Amortization of net prior service cost	24,037
Amortization of net loss	13,519
Total amortization payments	$ 170,828

Amortization payments expected to be paid during fiscal year ended June 30, 2020:

Amortization of transition obligation	$ 133,272
Amortization of net prior service cost	38,905
Amortization of net loss	73,946
Total amortization payments	$ 246,123

The following assumptions were used in accounting for the plan:

Weighted-average assumption used to determine pension benefit obligations	
Discount rate	3.72%
Weighted-average assumptions used to determine net periodic pension benefit costs	
Discount rate	4.30%
Expected return on plan assets	7.00%

The discount rate will fluctuate depending on the rate at which pension obligations can be effectively settled. The assumption for the expected return on plan assets for pension purposes is the average rate of earnings expected on the funds invested to provide for benefits included in the projected benefit obligation.

9. RETIREMENT PLANS – CONTINUED

Priests Pension Plan – Continued

The Diocese's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. The target allocations for plan assets are 53% equity securities, 42% debt securities and 5% other investments.

The investment policy is periodically reviewed by the Diocese and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner to comply at all times with applicable government regulations.

The fair values of the Pension Plan assets by asset class are as follows:

Asset Category	Level 1*	%
Equity securities	$ 5,536,670	50%
Debt securities	4,932,532	45%
Other	555,026	5%
	$ 11,024,228	100%

*Assets are valued at level 1 inputs, as determined from quoted prices in active markets for identical assets.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2020	$ 544,000
2021	531,000
2022	571,000
2023	622,000
2024	633,000
2025 - 2029	3,098,000
	$ 5,999,000

The Diocese is not required to contribute to the plan for fiscal year ending June 30, 2020

Lay Employees – 401(k) Plan
The Diocese has a defined contribution plan that covers all lay employees age 20.5 or older. The Diocese matches a scaled percentage of employee contributions up to the first 6% of their compensation depending upon their years of service. The Diocese's matching contributions amounted to $95,314 for the year ended June 30, 2019.

10. SELF-INSURANCE

Employee Group Insurance
Substantially all employees of the Diocese and affiliated parishes, schools and related entities are provided health benefits through an insurance plan administered by the Diocese. Premiums, recorded within insurance premium revenue in the accompanying statement of activities, are billed monthly to participating entities for their estimated share of costs. Insurance claims and administrative fees are expensed as incurred by the Diocese. As part of this self-insurance program, the Diocese purchases excess insurance coverage from outside insurance carriers. During the year ended June 30, 2019, the Diocese was responsible for costs up to $100,000 per covered person with an aggregate maximum of $5,000,000.

Property, General, Workers' Compensation and Loss Sharing Agreement
The Diocese and certain other dioceses within the State of Florida participate in the Ecclesiastical Province of Miami's (the EPM) self-insurance program to provide coverage for property and general liability, and workers' compensation claims. Each participating diocese and their participating entities and affiliates are charged a pro-rata share of the EPM program's estimated claim costs, administration fees and policy premiums that are incurred in connection with the purchase of excess insurance coverage from outside carriers and management of the program.

Generally, amounts are recoverable from the excess insurance carriers under this program after a specified claim has exceeded a specified retention limit of $250,000 for workers compensation claims, $1,000,000 for a named windstorm property claims, $250,000 for all other perils and property claims and $250,000 for liability claims.

In connection with the EPM program, the Diocese participates in an aggregate excess loss-sharing agreement. This agreement covers property, liability, workers' compensation and other self-insured losses and allows each participating diocese to share in each other's losses above an actuarially determined threshold thereby providing each of the participants with an additional layer of protection from abnormally large or catastrophic losses during any given claim year.

Each participating diocese is assigned a loss fund, which represents the maximum amount of losses the diocese will be responsible for in any one claim year. For the policy year beginning April 1, 2018, the Diocese's portion of the EPM's combined loss funds was approximately $552 thousand. The Diocese is responsible for losses incurred up to the amount of its combined loss fund requirements. This actuarially determined amount was incorporated into the estimate of the self-insurance claims liability that is reported in the accompanying statement of financial position. The other participating dioceses share proportionately in the remaining losses based on their share of the total loss funds. If the total loss funds were exhausted, each diocese would be responsible for its losses in excess of its assigned portion.

For the year ended June 30, 2019, the Diocese's claims incurred exceed its share of the total loss funds. As a result, the Diocese recorded a payable as of June 30, 2019, totaling approximately $68 thousand for amounts owed to certain other participating dioceses.

10. SELF-INSURANCE – CONTINUED

A reserve for insurance losses has been recorded for claims filed, but not paid, as well as for claims incurred, but not reported. The amount of the reserve is estimated based on an actuarial valuation of losses and is recorded by the Diocese at the present value of the estimated unpaid losses using a discount factor of 2%. Any resulting adjustments are reflected in the provision for insurance losses in the year such adjustment is considered necessary.

The Diocese assesses each participating parish, school and related entity for their share of the estimated costs of claims, administration fees and premiums for excess insurance coverage and anticipated reserve requirements. Any excess of assessments over actual losses is retained by the Diocese to cover future program years.

11. HURRICANE MICHAEL

On October 10, 2018, Hurricane Michael made landfall in the Panama City, Florida, area causing catastrophic damage to the community. As a result of the storm, several parishes, schools and other related catholic entities were either severely damaged or completely destroyed.

As of June 30, 2019, the Diocese incurred approximately $18,900,000 in expenses and received $17,500,000 of insurance proceeds and $1,200,000 in insurance deductibles from the parishes, schools and related Catholic entities serviced by the self-insurance program. Approximately $4.9 million of accrued expenses are included in accounts payable, and $1.3 million of insurance proceeds are included in accounts receivable in the accompany statement of financial position.

During fiscal year ended June 30, 2020, the Diocese expects to incur approximately $8,100,000 in additional expenses for repairs and receive approximately $8,000,000 in additional insurance proceeds. To the extent the Diocese incurs additional expenses or receives additional insurance proceeds, these will be recognized when incurred.

12. LIFE INSURANCE POLICIES

The Diocese has 45 life insurance policies insuring the lives of certain priests. The insurance policies are payable to the Diocese with a combined death benefit of $8,700,000 and a cash surrender value of $833,136, which is recorded as an asset on the accompanying statement of net position.

13. FOX TRACE HOUSING

On March 4, 2019, the Diocese transferred its investment in Fox Trace to the Bishop; therefore a transfer of investment expense of $1,545,863 is recognized in the accompanying financial statements. The accompanying financial statements include operations for the period July 1, 2018 through March 3, 2019.

14. COMMITMENTS AND CONTINGENCIES

The Diocese is involved in various legal matters incidental to the normal course of its operations. In the opinion of management, the ultimate liability resulting from such litigation will not exceed the reserve for insurance losses recorded in the accompanying financial statements.

The Diocese places its cash and investments in financial intuitions and investment firms that are federally insured for $250,000 and for $500,000 under the Federal Deposit Insurance Corporation (FDIC) and the Securities Investors Protection Corporation (SIPC), respectively. At June 30, 2019, the aggregate balances were in excess of the insurance and therefore, bear some risk since they are not collateralized. The Diocese has not experienced any losses on its cash or investments to date as related to the FDIC and SIPC insurance limits.

15. LINE OF CREDIT

The company has a $5,000,000 line of credit with a bank, which matures in March 2021. The interest rate is the prime rate (5.25% at June 30, 2019). There was no outstanding balance on the line of credit at June 30, 2019.

16. LIQUIDITY

The Diocese has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Diocese financial assets as of June 30, 2019, reduced by amounts not available for general expenditures within one year.

Cash and cash equivalents	$ 34,461,027
Investments	54,373,016
Loans receivable, net	8,656,852
Accounts receivable, net	1,909,310
Total financial assets	99,400,205
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(9,838,354)
Collections of long-term note receivables beyond one year	(7,438,152)
Deposits held for investment for related parties	(49,438,453)
Financial assets available to meet cash needs for expenditures within one year	$ 32,685,246