

**THE DIOCESE OF SOUTHWEST FLORIDA, INC.**

**Combined Financial Statements  
and Supplementary Information**

**December 31, 2010  
(With Independent Auditors' Report Thereon)**

THE DIOCESE OF SOUTHWEST FLORIDA, INC.

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**Independent Auditors' Report**

To the Diocesan Council  
Diocese of Southwest Florida, Inc.:

We have audited the accompanying combined statement of financial position of the Diocese of Southwest Florida, Inc. (the "Diocese") (a nonprofit organization) as of December 31, 2010, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of the Diocese's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Diocese's 2009 financial statements which were audited by other auditors, Kirkland, Russ, Murphy & Tapp, P.A. whose shareholders became shareholders of Mayer Hoffman McCann P.C. as of November 1, 2010, and whose report dated August 30, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Southwest Florida, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements, taken as a whole.

*Mayer Hoffman McCann P.C.*

August 12, 2011  
Clearwater, Florida

**THE DIOCESE OF SOUTHWEST FLORIDA, INC.**

**Combined Statement of Financial Position**

**December 31, 2010**

**(with comparative financial information for 2009)**

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Cash	\$ 1,069,891	514,763
Investments	7,822,651	7,337,077
Apportionments and notes receivable, net	252,012	212,940
Accounts receivable, net of allowance of \$0 and \$61,472, respectively	8,984	4,097
Loans receivable	2,176,957	2,589,889
Mortgage note receivable	1,403,093	1,403,093
Other assets	22,363	29,158
Beneficial interest in trust	701,266	658,403
Land, buildings, and equipment, net	3,602,853	4,135,760
Total assets	<u>\$ 17,060,070</u>	<u>16,885,180</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 182,344	241,187
Deposits	216,507	199,944
Notes payable	1,095,594	1,159,858
Total liabilities	<u>1,494,445</u>	<u>1,600,989</u>
Net assets unrestricted:		
Undesignated	3,405,111	2,512,114
Designated	5,082,927	5,306,887
Land, buildings, and equipment	2,507,259	2,975,902
Total unrestricted net assets	10,995,297	10,794,903
Temporarily restricted	2,690,908	2,652,874
Permanently restricted	1,879,420	1,836,414
Total net assets	<u>15,565,625</u>	<u>15,284,191</u>
Total liabilities and net assets	<u>\$ 17,060,070</u>	<u>16,885,180</u>

THE DIOCESE OF SOUTHWEST FLORIDA, INC.

Combined Statement of Activities

For the Year Ended December 31, 2010  
(with comparative financial information for 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
Revenue, gains, and other support:					
Diocesan apportionments	\$ 3,156,136	-	-	3,156,136	2,770,210
Investment return	584,820	121,364	143	706,327	1,198,082
Contributions and bequests	86,976	-	-	86,976	30,907
Conference center operations	1,295,889	114,364	-	1,410,253	1,553,295
Change in value of beneficial interest in trust	-	-	42,863	42,863	107,121
Interest income from loans to Churches	112,350	-	-	112,350	119,829
Other income	71,746	-	-	71,746	109,461
Total revenue and gains	5,307,917	235,728	43,006	5,586,651	5,888,905
Net assets released from restrictions	197,694	(197,694)	-	-	-
Total revenue, gains and other support	5,505,611	38,034	43,006	5,586,651	5,888,905
Expenses:					
Congregational	419,282	-	-	419,282	587,717
Ministry	1,017,105	-	-	1,017,105	1,117,233
Administrative	1,767,504	-	-	1,767,504	1,668,876
Conference center	1,559,485	-	-	1,559,485	1,817,109
Depreciation	53,305	-	-	53,305	66,676
Loss on disposal of assets	444,428	-	-	444,428	-
Interest	44,108	-	-	44,108	26,086
Total expenses	5,305,217	-	-	5,305,217	5,283,697
Change in net assets	200,394	38,034	43,006	281,434	605,208
Net assets at beginning of year	10,794,903	2,652,874	1,836,414	15,284,191	14,678,983
Net assets at end of year	\$ 10,995,297	2,690,908	1,879,420	15,565,625	15,284,191

**THE DIOCESE OF SOUTHWEST FLORIDA, INC.**

**Combined Statement of Cash Flows**

**For the Year Ended December 31, 2010  
(with comparative financial information for December 31, 2009)**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 281,434	605,208
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	195,655	270,322
Loss on disposal of assets	444,428	-
Realized and unrealized gains on investments	(424,788)	(719,390)
Provision for uncollectible apportionments and notes receivable	365,776	(8,347)
(Increase) decrease in apportionments and notes receivable	(404,848)	29,986
(Increase) decrease in accounts receivable, net	(4,887)	11,935
Decrease in other assets	6,795	63,115
Increase in beneficial interest in trust	(42,863)	(107,121)
Decrease in accounts payable and accrued expenses	(58,843)	(105,246)
Decrease in deferred revenue	-	(15,935)
Increase (decrease) in deposits	16,563	(84,111)
Net cash provided by (used in) operating activities	<u>374,422</u>	<u>(59,584)</u>
Cash flows from investing activities:		
Purchases of investments	(600,781)	(759,803)
Proceeds from sale of investments	539,995	316,134
Purchases of equipment	(107,176)	(85,016)
Payments received on loans receivable	597,932	41,047
Proceeds disbursed for loans receivable	(185,000)	(78,530)
Net cash provided by (used in) investing activities	<u>244,970</u>	<u>(566,168)</u>
Cash flows from financing activities:		
Principle payments on notes payable	(64,264)	(56,999)
Net cash used in financing activities	<u>(64,264)</u>	<u>(56,999)</u>
Net increase (decrease) in cash	555,128	(682,751)
Cash at beginning of year	<u>514,763</u>	<u>1,197,514</u>
Cash at end of year	\$ <u>1,069,891</u>	<u>514,763</u>
Supplemental disclosure of noncash activities:		
Cash paid for interest	\$ <u>62,437</u>	<u>57,348</u>

See accompanying independent auditors' report and notes to the combined financial statements.

# THE DIOCESE OF SOUTHWEST FLORIDA, INC.

## Notes to Combined Financial Statements

December 31, 2010

(with comparative financial information for December 31, 2009)

### (1) Description of Organization

The Diocese of Southwest Florida, Inc. (the "Diocese") is a not-for-profit corporation existing under the laws of the State of Florida. It is one of 108 dioceses of the Protestant Episcopal Church in the U.S.A. (100 domestic and 8 overseas). As such, the Diocese is subject to the Constitution and Canons of the National Church, and to the acts of the General Convention, which is held every three years.

The Diocese is comprised of twelve counties stretching along the west coast of Florida from Hernando County in the north to Collier County in the south. The Diocese of Southwest Florida, Inc. is divided geographically into seven deaneries: Tampa, Clearwater, St. Petersburg, Manasota, Venice, Fort Myers and Naples.

The combined financial statements include the accounts of the administrative offices of the Diocese which are fiscally responsible to the Bishop of the Diocese of Southwest Florida, and also include the accounts of the Dayspring Episcopal Conference Center, Diocese of Southwest Florida, Inc. All significant inter-organization transactions have been eliminated.

Various churches, missions and other religious organizations which operate within the Diocese, but which are primarily responsible to their own governing boards, have not been included in the accompanying combined financial statements.

### (2) Summary of Significant Accounting Policies and Practices

#### (a) Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Diocese as a whole. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted net assets – Net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Diocese and/or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the assets be maintained.

THE DIOCESE OF SOUTHWEST FLORIDA, INC.

Notes to the Combined Financial Statements – Continued

(2) **Summary of Significant Accounting Policies and Practices - Continued**

(a) **Basis of Accounting - Continued**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions received with donor-imposed restrictions that are met in the same year as received are generally reported as revenue of the unrestricted net assets class.

Contributions, including unconditional promises to give (pledges), are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. At December 31, 2010 and 2009, the Diocese had no outstanding pledges or bequests.

(b) **Liquidity**

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

(c) **Investments**

Investments are carried at fair value based on quoted market prices. Realized and unrealized gains and losses are reflected in the statement of activities.

(d) **Beneficial Interest in Trust**

The Diocese has a beneficial interest in a perpetual trust, the assets of which are administered by a third party. The Diocese receives distributions of income from the trust and their interest in the trust has been recorded at the fair value of the trust assets based on quoted market prices. The income received from the trust is restricted for the use of home or maintenance for the elderly and support of missions.

(e) **Perpetual Charitable Trust**

The Diocese is named as an advisor for a perpetual charitable trust. The trust provides distributions to only be used for educational purposes. The Diocese provides advice to the trustees for candidates for the theological education for the Episcopal Priesthood. As a result, the trust assets and related income are not recorded in the Diocese combined financial statements.



THE DIOCESE OF SOUTHWEST FLORIDA, INC.

Notes to the Combined Financial Statements – Continued

(2) **Summary of Significant Accounting Policies and Practices - Continued**

(f) **Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost if purchased or at estimated fair value at the date of gift if donated. Depreciation on buildings and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 28 years. Expenditures in excess of \$1,000 with an estimated useful life in excess of one year are capitalized.

(g) **Impairment of Long-Lived Assets**

In accordance with FASB Accounting Standards Codification Topic “Property, Plant, and Equipment (360), long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated from the use and eventual disposition of the asset, excluding interest. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statements of financial position and reported at the lower of carrying amount or fair value less costs to sell, and are no longer depreciated.

In addition to consideration of impairment upon events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are revised, the carrying value of affected assets is depreciated or amortized over the remaining lives. At December 31, 2010 and 2009, there were no impairments.

(h) **Diocesan Apportionments**

The Diocese’s principal source of revenue consists of apportionments received from congregations located within the Diocese. The apportionment is generally based upon 10 percent of the congregations’ total operating revenue and 10 percent of total capital income for the fiscal year ended two years prior. However, for the years ended December 31, 2010 and 2009, the Diocesan Council decreased the rate to 9 and 8 percent, respectively. The Diocese of Southwest Florida is a member of the Worldwide Anglican Communion and the Episcopal Church in the United States. The suggested pledge to the National Church is 21% and 22% of certain revenues less a \$120,000 and \$100,000 exemption during 2010 and 2009, respectively. The “asking” expense was approximately \$607,000 and \$621,000 for the years ended December 31, 2010 and 2009, respectively and is included in ministry expense on the combined statement of activities. Of these amounts, \$26,338 and \$161,799 are represented as accrued expenses at December 31, 2010 and 2009, respectively.

THE DIOCESE OF SOUTHWEST FLORIDA, INC.

Notes to the Combined Financial Statements – Continued

(2) **Summary of Significant Accounting Policies and Practices - Continued**

(i) **Conference Center Operations**

The Dayspring Episcopal Conference Center, a ministry of the Diocese of Southwest Florida, provides room and board accommodations for various groups and ministries. Advance deposits are recorded as liabilities until the events occur, at which time the amounts are recorded as revenue.

(j) **Income Taxes**

The Diocese is a nonprofit agency exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Diocese follows Accounting Standards Codification Topic 740, "Income Taxes" ("ASC 740"). A component of this standard prescribes a recognition and measurement threshold of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Diocese's policy is to recognize interest and penalties associated with tax positions under this standard as a component of tax expense, and none were recognized since there was no material impact of the overall adoption of this standard.

(k) **Use of Estimates**

The preparation of financial statements requires management of the Diocese to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, gains, and other support and expenses during the period. Actual results could differ from those estimates.

(l) **Reclassifications**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Diocese's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Certain prior-year amounts have been reclassified to conform to the current year's financial statement presentation.

**THE DIOCESE OF SOUTHWEST FLORIDA, INC.**

**Notes to the Combined Financial Statements – Continued**

**(3) Investments**

At December 31, 2010 and 2009 the Diocese held investments with a fair value of \$7,822,651 and \$7,337,077, respectively. The composition of these investments was as follows:

	<b>2010</b>		<b>2009</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
ECF - Balanced Fund	\$ 5,496,778	6,154,096	5,376,853	5,621,731
ECF - Income Fund	1,587,847	1,601,626	1,463,224	1,472,143
Short-term investments	66,929	66,929	243,203	243,203
	<u>\$ 7,151,554</u>	<u>7,822,651</u>	<u>7,083,280</u>	<u>7,337,077</u>

Investment return was comprised of the following for the years ended December 31, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Dividends and interest	\$ 281,539	478,692
Net realized and unrealized appreciation	424,788	719,390
	<u>\$ 706,327</u>	<u>1,198,082</u>

**(4) Fair Value of Financial Instruments**

The Diocese follows FASB Accounting Standards Codification Topic 820, “Fair Value and Measurement” (“ASC 820”). ASC 820 establishes a framework for using fair value to measure assets and liabilities and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price).

Under ASC 820, a fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance. ASC 820 requires disclosures that stratify balance sheet amounts measured at fair value based on inputs the Diocese used to derive fair value measurements. These strata include:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the counter markets with sufficient volume);
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market; and

THE DIOCESE OF SOUTHWEST FLORIDA, INC.

Notes to the Combined Financial Statements – Continued

(4) Fair Value of Financial Instruments - Continued

- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Organization-specific data. These unobservable assumptions reflect the Organization’s own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Financial instruments including investments and beneficial interest in trust included in the combined statement of financial position at December 31, 2010 and 2009 are measured at the reporting date using Level 2 inputs.

(5) Apportionments and Notes Receivable

During the year ended December 31, 2010 the Diocese reviewed the individual apportionment receivable balances for collectability. Several of the prior years’ apportionment receivables were converted into five year note receivables. Additionally, the allowance for uncollectible accounts was increased as a result of this analysis. As of December 31, 2010 and 2009 the apportionments and notes receivable included:

	<u>2010</u>	<u>2009</u>
Prior years apportionment receivables (2004-2009)	\$ 138,017	524,185
Prior years apportionments converted to notes	419,628	-
Apportionment receivable (2010)	252,388	-
Current year apportionments converted to notes	119,000	-
Allowance for uncollectible accounts	<u>(677,021)</u>	<u>(311,245)</u>
Total apportionments and notes receivable	<u>\$ 252,012</u>	<u>212,940</u>

**THE DIOCESE OF SOUTHWEST FLORIDA, INC.**

**Notes to the Combined Financial Statements – Continued**

**(6) Loans Receivable**

At December 31, 2010 and 2009 the Diocese has interest and non-interest bearing loans receivable totaling \$2,176,957 and \$2,589,889 respectively due from member churches. Repayment terms and scheduled payments are made according to each Church's agreement with the Diocese, respectively. As of December 31, 2010 and 2009 the loans outstanding included:

	2010	2009
Iona Hope Episcopal Church, Fort Myers	\$ 989,639	1,000,000
Grace Episcopal Church, Tampa	319,950	319,950
St. Catherine's Episcopal Church, Temple Terrace	197,186	205,558
St. Mary's Episcopal Church, Tampa	112,500	112,500
St. Mary Magdalene, Bradenton	-	50,000
Church of the Holy Spirit, Osprey	-	500,000
St. Nathaniel's Episcopal Church, North Port	294,369	300,000
St. Giles Manor II, Pinellas Park	8,542	14,133
St. Elizabeth's Episcopal Church, Zephyrhills	(229)	2,748
Church of the Good Shepard, Punta Gorda	85,000	70,000
Church of the Holy Spirit, Safety Harbor	-	15,000
St. Monica's Episcopal Church, Naples	170,000	-
	\$ 2,176,957	2,589,889

During 2010 and 2009, the Diocese reviewed certain nonperforming loans involving several parishes. This review resulted in loans being restructured for repayment during both years. Management of the Diocese believes all loans receivable at December 31, 2010 and 2009 are fully collectible within the terms of the respective agreements with each parish.

**(7) Mortgage Note Receivable**

On December 22, 2004 the Diocese executed a mortgage in the amount of \$1,500,000 by and between St. Mark's Episcopal Church for construction of their new facilities. The mortgage receivable, which bears interest at 3% and is payable over 30 years, is due in monthly installments of \$6,324 beginning April 1, 2005. The note is secured by real property. During 2008, the Diocesan Council approved the deferral of principal payments and required interest only payments for three years. Beginning April 2011, St. Mark's Episcopal Church will commence principal payments. As of December 31, 2010 and 2009 the note had an outstanding balance of \$1,403,093. Management considers the amount to be fully collectible.

**THE DIOCESE OF SOUTHWEST FLORIDA, INC.**

**Notes to the Combined Financial Statements – Continued**

**(8) Land, Buildings, and Equipment**

Land, buildings, and equipment at December 31, 2010 and 2009 consist of following:

	2010			2009 Total
	Diocese	Conference Center	Total	
Land	\$ 1,078,465	955,636	2,034,101	2,029,903
Buildings	771,251	2,986,959	3,758,210	4,375,555
Building improvements	-	-	-	54,856
Furniture and equipment	61,852	513,711	575,563	1,258,587
Vehicles	94,200	15,530	109,730	121,548
			6,477,604	7,840,449
Less accumulated depreciation			2,874,751	3,704,689
Land, buildings, and equipment, net			\$ 3,602,853	4,135,760

Depreciation expense for the years ended December 31, 2010 and 2009 is \$195,655 and \$270,322 respectively. \$142,350 and \$203,646 of this amount as of December 31, 2010 and 2009, respectively relates to the Conference Center and is included in the conference center expense line item on the Combined Statement of Activities.

At December 31, 2010, there is land and a building held for sale included in total land, buildings and equipment on the combined statement of financial position. These assets are held for sale due to the plan for the new administrative building to be built (see Note 17). The carrying value of the assets is approximately \$500,000 at December 31, 2010 of which \$60,000 relates to the land and \$440,000 relates to the building. These assets are expected to be sold within one year. The amount expected to be received from the sale should be in excess of the carrying value of the assets.

A full physical inventory was conducted during the year which resulted in a write off of several items. This write off amounted to a loss of approximately \$440,000 and is reflected as loss on disposal of assets in the combined statement of activities.

**(9) Notes Payable**

Notes payable at December 31, 2010 and 2009 consists of the following:

	2010	2009
5.21% mortgage note payable in monthly installments of \$6,811 including interest, due January 2011, secured by rents, leases, and real property.	\$ 703,545	747,935
6.25% mortgage note payable in monthly installments of \$3,556, including interest, due September 2023, secured by rents, leases and real property.	392,049	411,923
Total notes payable	\$ 1,095,594	1,159,858

**THE DIOCESE OF SOUTHWEST FLORIDA, INC.**

**Notes to the Combined Financial Statements – Continued**

**(9) Notes Payable - Continued**

The aggregate maturities of notes payable for each of the five years subsequent to December 31, 2010 and thereafter are as follows:

<u>Year Ending December 31,</u>		
2011	\$	725,522
2012		23,067
2013		24,368
2014		25,742
2015		27,195
Thereafter		<u>269,700</u>
	\$	<u><u>1,095,594</u></u>

**(10) Line of Credit**

The Diocese has a line of credit with a maximum borrowing capacity of \$750,000, which is payable on demand. The interest rate on the line of credit is prime plus 1% and the line of credit matures January 31, 2012. There is no outstanding balance on the line of credit at December 31, 2010 and 2009.

**(11) Designated Net Assets**

At December 31, 2010 and 2009, the Diocesan Council had designated unrestricted net assets for the following:

	<u>2010</u>	<u>2009</u>
DaySpring	\$ 950,984	862,348
Episcopal Charities	220,110	210,541
Mission / 2020 Fund	1,599,841	1,493,235
Capital revolving loan fund	<u>2,311,992</u>	<u>2,740,763</u>
	<u>\$ 5,082,927</u>	<u>5,306,887</u>

**THE DIOCESE OF SOUTHWEST FLORIDA, INC.**

**Notes to the Combined Financial Statements – Continued**

**(12) Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets consist of gifts and other unexpended revenue available for the following at December 31, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Home or maintenance for elderly	\$ 1,394,837	1,394,063
Loan funds	629,693	629,070
Ministry development	194,021	194,021
Capital campaign	114,528	114,528
St. Bartholomew Cemetery	50,777	50,752
Other	307,052	270,440
	\$ 2,690,908	2,652,874

At December 31, 2010 and 2009, permanently restricted net assets consist of perpetual trust funds totaling \$1,879,420 and \$1,836,414 respectively. The income from these assets can be used for the following purposes:

	<b>2010</b>	<b>2009</b>
Bishop's discretion	\$ 534,689	534,689
Missions	407,182	385,751
Home or maintenance for elderly	350,633	329,202
Ministry development	280,054	280,054
Education	121,987	121,844
Homeless and hungry	151,763	151,763
Other	33,112	33,111
	\$ 1,879,420	1,836,414



THE DIOCESE OF SOUTHWEST FLORIDA, INC.

Notes to the Combined Financial Statements – Continued

(13) Net Assets Released From Restrictions

Net assets were released from donor restrictions as follows during the years ended December 31, 2010 and 2009, by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors:

Purpose restrictions accomplished:	<u>2010</u>	<u>2009</u>
Home or maintenance for elderly	\$ 49,822	47,184
Bishop discretionary	2,874	9,917
Capital projects	33,065	-
Cemetery	1,593	-
Missions	26,103	24,043
Youth ministry funding	48,000	-
Other	36,237	4,033
	<u>\$ 197,694</u>	<u>85,177</u>

(14) Pension Plan

The Clergy and the lay employees of the Diocese are participants in separate pension plans. The Clergy are covered by the Church Pension Fund and the lay employees are covered by a defined contribution plan administered by ING Life Insurance Company. The plan covering lay employees calls for annual contributions by the Diocese, based on a percent of aggregate employee compensation. Total pension expense for the Clergy employees for the years ended December 31, 2010 and 2009 was \$63,333 and \$84,563, respectively. Total pension expense for the lay employees for the years ended December 31, 2010 and 2009 was \$31,250 and \$41,731, respectively. The Church Pension Fund is a defined benefit plan; however, it is part of a National Plan and additional information with the respect to the Diocese of Southwest Florida, Inc. is not available as the plan is evaluated on an aggregate basis.

The Dayspring Episcopal Conference Center employees also participate in a separate pension plan through the Church Pension Fund. Total expense for the years ended December 31, 2010 and 2009 was \$30,794 and \$33,007, respectively.

(15) Postretirement Benefits

Under a plan adopted January 1, 1999, the Diocese provides certain health care and life insurance benefits for clergy and lay retirees. Eligibility for those benefits occurs upon the attainment of age 65 and a minimum of ten years of service while working for the Diocese. The Diocese has the right to amend or terminate the program at anytime. During the year ended December 31, 2010 and 2009, the payment of benefits was limited to \$85 and \$75 per person per month, respectively.

Total postretirement benefit expense for the years ended December 31, 2010 and 2009 was \$119,840 and \$117,443 respectively.

THE DIOCESE OF SOUTHWEST FLORIDA, INC.

Notes to the Combined Financial Statements – Continued

(16) Conference Center Eliminations and Related Activity

The combined financial statements of the Diocese include related Conference Center balances and activities. For this reason, elimination of related party receivables and payables, along with corresponding revenues and expenses are necessary at year end. Eliminating entries were made to properly account for the \$1,752,957 and \$1,621,539 investment in Dayspring as of December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, \$100,000 of Dayspring support was eliminated along with \$60,000 and \$0, respectively for prepaid Dayspring support. In addition, a payable of \$9,106 and \$131,417 to the Diocese by the Conference Center and a conference center receivable of \$0 and \$509 payable to the conference center from the Diocese were eliminated. Conference Center depreciation is included within the combined statement of activities.

(17) Subsequent Events

The Diocese has evaluated events occurring after the statement of financial position through August 12, 2011, the date which the financial statements were available to be issued.

Subsequent to year-end, the Diocesan Council approved extended terms to St. Mark's Episcopal Church for interest only payments through January 2013. At that time the remaining balance will be amortized over 30 years.

During January 2011, the Diocese drew on its line of credit and paid their mortgage note payable off in the amount of \$702,858.

Subsequent to year-end, the Diocese entered into a construction agreement to have an administration building constructed. As of August 12, 2011, the final pricing has not been completely negotiated. It is anticipated that construction will begin during the 2011 year.

**SUPPLEMENTARY INFORMATION**

**DIOCESE OF SOUTHWEST FLORIDA, INC.**

**Schedule of Conference Center Expenses**

**For the Year Ended December 31, 2010  
(with comparative financial information for 2009)**

	<u>2010</u>	<u>2009</u>
Food services	\$ 402,843	485,491
Guest services	193,321	192,031
Grounds and building maintenance	264,560	275,605
Depreciation	142,350	203,646
Administration	521,962	615,914
Miscellaneous	16,120	13,160
Interest	18,329	31,262
	<u>1,559,485</u>	<u>1,817,109</u>
Total conference center expenses	\$ <u>1,559,485</u>	<u>1,817,109</u>