

Diocese of Southwest Florida, Inc.

Consolidated Financial Statements

December 31, 2019 and 2018



DIOCESE OF SOUTHWEST FLORIDA, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Diocesan Council
Diocese of Southwest Florida, Inc.
Parrish, FL

We have audited the accompanying consolidated financial statements of the Diocese of Southwest Florida, Inc. and subsidiary (the Diocese), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended December 31, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

CONTINUED

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Diocese of Southwest Florida, Inc. and subsidiary as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information in the consolidating statement of financial position and consolidating statement of activities as of and for the year ended December 31, 2019; is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

PDR CPAs + Advisors

Oldsmar, Florida
May 16, 2020

**DIOCESE OF SOUTHWEST FLORIDA, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Cash	\$ 620,440	\$ 494,105
Investments:		
Held for others	5,696,449	3,531,869
Held in endowment	10,501,268	9,127,056
Other	3,210,016	3,082,947
Apportionments and notes receivable, net	25,024	216,716
Accounts receivable, net	5,097	5,028
Loans receivable, net	2,653,603	2,286,740
Mortgage note receivable	1,250,430	1,250,430
Other assets	46,760	12,096
Land, buildings, and equipment, net	<u>7,483,010</u>	<u>7,631,623</u>
Total Assets	<u>\$31,492,097</u>	<u>\$27,638,610</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable and accrued expenses	\$ 508,119	\$ 461,727
Line-of-credit	395,363	1,223,990
Deposits	186,464	122,368
Deposits held for others	<u>5,696,449</u>	<u>3,531,869</u>
Total liabilities	6,786,395	5,339,954
Net Assets		
Net assets without donor restrictions:		
Undesignated (deficit)	553,818	(132,289)
Board-designated endowment	2,032,495	1,777,219
Board-designated other	6,167,606	5,672,266
Land, buildings, and equipment	<u>7,483,010</u>	<u>7,631,623</u>
Total net assets without donor restrictions	16,236,929	14,948,819
Net assets with donor restrictions	<u>8,468,773</u>	<u>7,349,837</u>
Total net assets	<u>24,705,702</u>	<u>22,298,656</u>
Total Liabilities and Net Assets	<u>\$31,492,097</u>	<u>\$27,638,610</u>

See accompanying notes to consolidated financial statements

DIOCESE OF SOUTHWEST FLORIDA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Support and Revenue				
Diocesan apportionments	\$ 3,746,663	\$ -	\$ 3,746,663	\$ 3,600,476
Investment return (loss), net of fees	772,425	1,288,185	2,060,610	(671,294)
Contributions and bequests	12,830	98,060	110,890	90,735
DaySpring operations	1,476,557	-	1,476,557	1,440,360
Program revenue	156,401	-	156,401	123,131
Capital income - major gifts	93,935	-	93,935	386,709
Interest income from loans to churches	95,606	-	95,606	93,119
Other interest income	31	-	31	47
Recovery of bad debt	92,234	-	92,234	172,550
	6,446,682	1,386,245	7,832,927	5,235,833
Net assets released from restrictions	267,309	(267,309)	-	-
Total support and revenue	6,713,991	1,118,936	7,832,927	5,235,833
Operating Expenses				
Program services:				
Congregation Support	952,664	-	952,664	949,784
Ministry	1,258,271	-	1,258,271	1,373,810
DaySpring	2,049,302	-	2,049,302	2,018,533
Total program services	4,260,237	-	4,260,237	4,342,127
Supporting Services:				
Administrative	1,226,764	-	1,226,764	1,294,670
Total operating expenses	5,487,001	-	5,487,001	5,636,797
Change in Net Assets from Operations	1,226,990	1,118,936	2,345,926	(400,964)
Other Changes - Revenue (Expense)				
Other income	61,120	-	61,120	12,486
Gain on disposal of assets	-	-	-	280
Total other changes	61,120	-	61,120	12,766
Change in Net Assets	1,288,110	1,118,936	2,407,046	(388,198)
Net Net Assets at Beginning of Year	14,948,819	7,349,837	22,298,656	22,686,854
Net Net Assets at End of Year	\$ 16,236,929	\$ 8,468,773	\$ 24,705,702	\$ 22,298,656

See accompanying notes to consolidated financial statements

DIOCESE OF SOUTHWEST FLORIDA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Diocesan apportionments	\$ 3,600,476	\$ -	\$ 3,600,476
Investment return (loss), net of fees	(236,043)	(435,251)	(671,294)
Contributions and bequests	11,153	79,582	90,735
DaySpring operations	1,440,360	-	1,440,360
Program revenue	123,131	-	123,131
Capital income - major gifts	386,709	-	386,709
Interest income from loans to churches	93,119	-	93,119
Other interest income	47	-	47
Recovery of bad debt	172,550	-	172,550
	<u>5,591,502</u>	<u>(355,669)</u>	<u>5,235,833</u>
Net assets released from restrictions	<u>252,840</u>	<u>(252,840)</u>	<u>-</u>
Total support and revenue	5,844,342	(608,509)	5,235,833
Operating Expenses			
Program services:			
Congregation Support	949,784	-	949,784
Ministry	1,373,810	-	1,373,810
DaySpring	2,018,533	-	2,018,533
Total program services	4,342,127	-	4,342,127
Supporting Services:			
Administrative	<u>1,294,670</u>	<u>-</u>	<u>1,294,670</u>
Total operating expenses	5,636,797	-	5,636,797
Change in Net Assets from Operations	207,545	(608,509)	(400,964)
Other Changes - Revenue (Expense)			
Other income	12,486		12,486
Gain on disposal of assets	280	-	280
Total other changes	<u>12,766</u>	<u>-</u>	<u>12,766</u>
Change in Net Assets	220,311	(608,509)	(388,198)
Net Assets at Beginning of Year	<u>14,728,508</u>	<u>7,958,346</u>	<u>22,686,854</u>
Net Assets at End of Year	<u>\$ 14,948,819</u>	<u>\$ 7,349,837</u>	<u>\$ 22,298,656</u>

See accompanying notes to consolidated financial statements

DIOCESE OF SOUTHWEST FLORIDA, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Program Services				Administrative	Total	
	Congregation Support	Ministry	DaySpring	Total Program Services		2019	2018
Salaries and employee benefits	\$ 357,304	\$ 382,934	\$ 929,946	\$ 1,670,184	\$ 757,358	\$ 2,427,542	\$ 2,445,669
Program ministry	-	744,782	-	744,782	-	744,782	732,310
Food services	-	-	267,438	267,438	-	267,438	271,539
Grounds and building maintenance	-	-	115,137	115,137	-	115,137	118,431
Grants to congregations	439,498	-	-	439,498	-	439,498	386,949
Occupany	-	38,008	180,502	218,510	26,676	245,186	248,405
Guest services	-	-	29,476	29,476	-	29,476	30,711
Insurance	-	-	178,615	178,615	50,244	228,859	252,182
Bad debt	155,862	-	-	155,862	-	155,862	154,878
Travel	-	3,912	7,476	11,388	-	11,388	97,763
Meetings and conventions	-	-	-	-	41,198	41,198	80,385
Interest expense	-	-	-	-	43,059	43,059	80,191
Office expenses	-	-	2,919	2,919	23,514	26,433	54,658
Computer services	-	-	3,351	3,351	60,007	63,358	51,734
Miscellaneous	-	-	25,777	25,777	47,558	73,335	48,648
Scholarships	-	45,559	-	45,559	-	45,559	48,046
Donations	-	43,076	-	43,076	-	43,076	42,945
Legal and accounting	-	-	3,000	3,000	28,587	31,587	33,850
Postage	-	-	626	626	32,329	32,955	28,421
Repairs and maintenance	-	-	-	-	15,621	15,621	14,135
Cemetery	-	-	-	-	9,511	9,511	10,389
Education and training	-	-	6,249	6,249	-	6,249	6,615
Dues and subscriptions	-	-	5,535	5,535	-	5,535	5,448
Total Expenses Before Depreciation	952,664	1,258,271	1,756,047	3,966,982	1,135,662	5,102,644	5,244,302
Depreciation	-	-	293,255	293,255	91,102	384,357	392,495
Total Expenses	\$ 952,664	\$ 1,258,271	\$ 2,049,302	\$ 4,260,237	\$ 1,226,764	\$ 5,487,001	\$ 5,636,797

See accompanying notes to consolidated financial statements

**DIOCESE OF SOUTHWEST FLORIDA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,407,046	\$ (388,198)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	384,357	392,495
Gain on disposal of assets	-	(280)
Realized and unrealized (gain) loss on investments	(2,106,802)	614,559
Increase (decrease) in allowance for uncollectible receivables	48,627	(113,630)
Increase (decrease) in apportionments and notes receivable	143,065	(25,076)
Decrease in accounts receivable, net	(69)	5,216
Decrease (increase) in other assets	(34,664)	38,562
Increase in accounts payable and accrued expenses	46,392	190,102
Increase in deposits	64,096	3,372
Contributions restricted for endowment	(98,060)	(79,582)
	853,988	637,540
Net cash provided by operating activities	853,988	637,540
Cash Flows from Investing Activities:		
Purchases of investments	(4,554,669)	(1,077,265)
Proceeds from sale of investments	2,995,610	1,176,740
Increase in deposits held for others	2,164,580	486,948
Payments received on loans receivable	221,137	190,749
Proceeds disbursed for loans receivable	(588,000)	(385,000)
Payments received on mortgage note receivable	-	3,185
Purchases of land, buildings, and equipment	(235,744)	(192,702)
Proceeds from sale of land, buildings, and equipment	-	19,000
	2,914	221,655
Net cash provided by investing activities	2,914	221,655
Cash Flows from Financing Activities:		
Contributions restricted for endowment	98,060	79,582
Payments on short-term debt	-	(10,619)
Payments on line-of-credit	(828,627)	(776,010)
	(730,567)	(707,047)
Net cash used in financing activities	(730,567)	(707,047)
Net Increase in Cash	126,335	152,148
Cash at Beginning of Year	494,105	341,957
Cash at End of Year	\$ 620,440	\$ 494,105
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 43,059	\$ 80,191

See accompanying notes to consolidated financial statements

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A - NATURE OF ORGANIZATION

Diocese of Southwest Florida, Inc. (the Episcopal Diocese) is a not-for-profit corporation existing under the laws of the State of Florida. It is one of 109 dioceses of the Protestant Episcopal Church in the U.S.A. (101 domestic and 8 overseas). As such, the Episcopal 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 Episcopal 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 consolidated financial statements (collectively referred to as the Diocese) include the accounts of the administrative offices of the Episcopal Diocese which are fiscally responsible to the Bishop of the Diocese of Southwest Florida, and also include the accounts of the Episcopal Conference Center, Diocese of Southwest Florida, Inc. (DaySpring). All significant inter-organization transactions have been eliminated (see **NOTE Q**).

The consolidated financial statements of the Diocese do not include the various churches, missions, and other religious organizations which operate within the Episcopal Diocese, but which are primarily responsible to their own governing boards. The 77 congregations within the Episcopal Diocese have total endowment assets of \$48,418,055 and combined normal operating income of \$31,377,996 as of and for the year ended December 31, 2018.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of the Diocese have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - Continued

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. Gains and 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. Expirations of net assets with donor restrictions (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. As contributions with donor-imposed restrictions are expended, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction.

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, 2019 and 2018, the Diocese had no outstanding pledges or bequests.

Measure of Operations

The consolidated statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Diocese's ongoing services. Nonoperating activities, if any, are limited to other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates. Significant estimates include the allowance for uncollectible receivables, useful lives on related assets, and allocation of expenses by function.

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Cash

Cash consists of cash on deposit with financial institutions. The Diocese considers all highly liquid assets with a maturity of three months or less when purchased as cash.

Financial instruments which potentially subject the Diocese to concentrations of credit risk consist principally of cash held in financial institutions in excess of federally-insured limits. From time to time throughout the years ended December 31, 2019 and 2018, the Diocese's cash balance may have exceeded the federally insured limits. However, the Diocese has not experienced and does not expect to incur any losses in such accounts.

Investments

Investments are carried at fair value 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. Realized and unrealized gains and losses are reflected in the consolidated statements of activities.

Bishop Grey Retirement Foundation, Inc.

The Diocese elects four members to the governing board of the Bishop Gray Retirement Foundation, Inc. (the Foundation). The Foundation is a not-for-profit Florida corporation, organized to provide retirement support for the aged under the auspices and control of the Central, Southwest, and Southeast Florida Diocese of the Protestant Episcopal Church currently through a "scholarship program" which is intended to help eligible elderly Episcopalians from the three dioceses obtain quality housing and healthcare. Since the Diocese only acts in an advisory capacity, the Foundation's assets and related income are not recorded in the Diocese consolidated financial statements. Total assets of the Foundation at December 31, 2019 and December 31, 2018 were approximately \$13.4 million and \$11.5 million, respectively.

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 5 to 28 years. Expenditures in excess of \$1,000 with an estimated useful life in excess of one year are capitalized.

Impairment of Long-Lived Assets

In accordance with FASB ASC Topic 360, *Property, Plant, and Equipment*, 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 consolidated 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 occurrence of specific events or changes in circumstances described above, management regularly evaluates the remaining useful lives of its long-lived assets. If estimates are revised, the carrying value of affected assets is depreciated or amortized over the remaining useful lives. At December 31, 2019 and 2018, there were no impairments.

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% of the congregations' total operating revenue and 10% of total capital income for the fiscal year ended two years prior.

On an annual basis, apportionments receivable balances are reviewed for collectability and any allowance for uncollectible accounts is recorded. Management budgets 5% of the annual apportionment for uncollectible amounts. The amount of unused allowance for uncollectible accounts is treated as recovery of bad debt in the consolidated statements of activities. Recovery of bad debt totaled \$92,234 and \$172,550 for the years ended December 31, 2019 and 2018, respectively.

The Diocesan Council may elect to return a portion of the unused budgeted uncollectable amount as a dividend to congregations who are current on their apportionment at year-end. The Diocesan Council approved a \$150,000 Mission/Ministry Dividend for each of the years ended December 31, 2019 and 2018, that was distributed on a pro rata basis. This provision is under the sole discretion of the Diocesan Council and is determined on an annual basis.

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Diocesan Apportionments - Continued

The Episcopal Diocese is a member of the Worldwide Anglican Communion and the Episcopal Church in the United States. The suggested pledge to the Budget for the Episcopal Church is 15% of certain revenues less a \$140,000 exemption during 2019. The suggested pledge to the Budget for the Episcopal Church is 15% of certain revenues less a \$150,000 exemption during 2018. The "asking" expense was approximately \$497,000 and \$485,000 for the years ended December 31, 2019 and 2018, respectively, and is included in ministry expense on the consolidated statements of activities. Per Episcopal Church Canon, the pledge amount is mandatory starting in 2019.

DaySpring Operations

DaySpring, a ministry of the Diocese, provides room and board accommodations for various groups and ministries. Revenue is recognized for these services at the point in time when all services have been provided. Advance deposits received from groups and ministries are recorded as liabilities and recorded as "deposits" on the accompanying consolidated statements of financial position. At the conclusion of each event, deposits are reclassified to earned revenue. Generally, there are no accounts receivable from these services as amounts earned, less advance deposits, are collected at the conclusion of each event. Revenue associated with affiliated groups within the Episcopal Diocese account for 19% and 20% of DaySpring revenues for 2019 and 2018, respectively.

Deposits Held for Others

The Diocese holds deposits for parishes for investment purposes in which the Diocese has recorded a "deposit held for others" on the accompanying consolidated statements of financial position.

Income Tax Status

The Diocese is a non-profit agency under the laws of the State of Florida and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Diocese is listed as a subordinate of the group exemption of the Protestant Episcopal Church in the United States of America and therefore is exempt from income tax. Accordingly, the accompanying consolidated financial statements reflect no provision for income taxes.

The Diocese has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; and to review other matters that may be considered tax positions. No amounts of unrecognized tax benefits have been recorded by the Diocese as of December 31, 2019 and 2018.

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Related Party Consolidation

FASB ASC Topic 958-810, *Not-For-Profit Entity Consolidation*, clarifies the application of consolidated financial statements to certain related party entities in which a not-for-profit entity has characteristics of a controlling and economic financial interest. This guidance clarifies how to identify a related party entity in which the not-for-profit entity has a controlling and economic interest and how to determine when a not-for-profit entity should include the assets, liabilities, net assets, and results of activities of the related party entity in its consolidated financial statements.

Management has concluded that DaySpring, a related party under common control, is a related party entity in which Diocese has both controlling and economic interest. Management has elected to include the related assets, liabilities, net assets, and results of activities of DaySpring in these consolidated financial statements, as required by US GAAP.

Functional Allocation of Expenses

The costs of providing the various program and other activities have been detailed in the statement of functional expenses and summarized on a functional basis in the consolidated statements of activities. Expenses that can be identified with a specific program service are charged directly to that program, according to their natural expenditure and classification. Certain costs have been allocated among the programs and supporting services benefited based on direct usage or management's estimates of the benefit derived by each activity. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and related expenses	Time and effort
Legal and accounting	Directly identifiable
Computer services	Directly identifiable
Occupancy	Directly identifiable
Insurance	Directly identifiable
Office expense	Directly identifiable
Postage	Directly identifiable
Miscellaneous	Directly identifiable
Depreciation	Directly identifiable

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, Not for Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Diocese adopted ASU 2018-08 effective January 1, 2019 and determined that the adoption will not result in a material change to how it accounts for revenue from gifts and grants.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance uses a principles based approach for determining revenue recognition and establishes a five-step approach for the recognition of revenue. Topic 606 applies to DaySpring since DaySpring's revenues are generated from providing services that are considered exchange transactions. Management has determined that the adoption of ASU 2014-09 will not result in a material change to the timing of when DaySpring revenue is recognized and there was no cumulative effect adjustment recorded to opening net assets as of January 1, 2019 upon adoption of the standard.

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE C - AVAILABILITY AND LIQUIDITY

The following represents the Diocese's financial assets at December 31:

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash and cash equivalents	\$ 620,440	\$ 494,105
Investments - other	3,710,253	3,435,526
Apportionments and notes receivable, net	25,024	216,716
Accounts receivable, net	<u>5,097</u>	<u>5,028</u>
Total financial assets	4,360,814	4,151,375
Less Amounts Not Available to be Used Within One Year:		
Accounts payable and accrued expenses	168,896	158,047
Amounts payable for specific users	398,251	320,297
Conference deposits for following year	<u>127,442</u>	<u>100,456</u>
	694,589	578,800
Payment of line-of-credit	<u>395,363</u>	<u>1,223,990</u>
	<u>1,089,952</u>	<u>1,802,790</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,270,862</u>	<u>\$ 2,348,585</u>

The Diocese's goal is generally to maintain financial assets to meet six months of operating expenses (approximately \$1.5 million). As part of its ongoing liquidity plan, excess cash is invested in short-term investments, including money market accounts.

The Diocese has a \$3.0 million line-of-credit available to meet construction related cash flow needs through the implementation of the 10-year \$20 million DaySpring Master Plan started in 2015. The balance of the line-of-credit was \$395,363 and \$1,223,990 at December 31, 2019 and 2018, respectively. In 2020, the Diocese will apply its available operating net income to reduce the line-of-credit to zero as soon as possible in preparation for Phase 2.

In the case of extraordinary circumstances, the Diocese can immediately access the available (unrestricted) balance of the Revolving Loan Fund \$1,349,372 or Mission Fund \$2,360,881. The Revolving Loan Fund is intended for loans to congregations, often as a lender of last resort when bank loans are not an option. Mission Fund is intended for use for real property to grow the church.

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE D - INVESTMENTS

At December 31, 2019 and 2018, the Diocese held investments as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
ECF - Investment Fund	\$13,075,779	\$18,219,862	\$11,875,373	\$14,461,925
ECF - Income Fund	1,109,762	1,187,871	1,222,700	1,279,947
	<u>\$14,185,541</u>	<u>\$19,407,733</u>	<u>\$13,098,073</u>	<u>\$15,741,872</u>

Financial instruments included in the consolidated statements of financial position at December 31, 2019 and 2018 are measured at the reporting date using Level 2 inputs.

Investment return was comprised of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Dividends and interest	\$ 23,792	\$ 11,904
Net realized and unrealized gains (losses)	2,106,802	(614,559)
Investment fees	<u>(69,984)</u>	<u>(68,639)</u>
Investment return, net of fees	<u>\$ 2,060,610</u>	<u>\$ (671,294)</u>

NOTE E - APPORTIONMENTS AND NOTES RECEIVABLE

During the years ended December 31, 2019 and 2018, the Diocese reviewed the individual apportionment receivable balances for collectability. As of December 31, 2019 and 2018, the apportionments and notes receivable included:

	2019	2018
Apportionments converted to notes	\$ 75,865	\$ 101,428
Current apportionments receivable	36,881	154,383
Allowance for uncollectible accounts	<u>(87,722)</u>	<u>(39,095)</u>
Net apportionments and notes receivable	<u>\$ 25,024</u>	<u>\$ 216,716</u>

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE F - LOANS RECEIVABLE

At December 31, 2019 and 2018, the Diocese had interest and non-interest bearing loans receivable due from member churches. Repayment terms and scheduled payments are made according to each Church's agreement with the Diocese. As of December 31, 2019 and 2018, the loans outstanding included:

	<u>2019</u>	<u>2018</u>
Iona Hope Episcopal Church, Fort Myers	\$ 773,874	\$ 800,807
St. Monica's Episcopal Church, Naples	286,774	-
Church of the Good Shepherd, Dunedin	257,701	283,407
Church of the Good Shepherd, Punta Gorda	253,581	222,559
St. Nathaniel's Episcopal Church, North Port	219,342	227,800
St. Alfred, Palm Harbor	180,246	190,553
St. John the Divine, Sun City Center	153,484	176,941
St. Bede, St. Petersburg	146,250	-
St. Mary's Episcopal Church, Tampa	87,500	87,500
St. Vincent, St. Petersburg	57,861	16,313
St. Raphael, Bradenton	49,500	52,500
St. Martin, Hudson	43,325	52,550
Church of the Epiphany, Cape Coral	40,000	-
St. Peter, Plant City	37,653	52,454
St. Dunstan, Largo	36,539	41,161
St. Marks, Marco Island	35,756	40,401
All Saints Episcopal Church, Tarpon Springs	34,651	38,067
St. Mary Magdalene	22,112	36,310
St. Wilfred, Sarasota	21,126	32,235
St. Thomas Episcopal Church, St. Petersburg	-	14,773
Church of the Holy Spirit, Safety Harbor	-	4,081
Allowance for uncollectable accounts	<u>(83,672)</u>	<u>(83,672)</u>
Net loans receivable	<u>\$ 2,653,603</u>	<u>\$ 2,286,740</u>

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE G - 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. The Diocesan Council approved the deferral of principal payments and required interest only payments for four years. Beginning January 2013, St. Mark's Episcopal Church began making principal payments per Council Resolution 2013-01-d, based on the 2013 agreement, which modified terms for 2013-2015 at 1% interest on 50-year amortization. Diocesan Council has approved interest only payments beginning March 2018 and extended through December 2020. As of December 31, 2019 and 2018, the note had an outstanding balance of \$1,250,430. Management considers the amount to be fully collectible.

NOTE H - CONDITIONAL PROMISES TO GIVE

During 2016, the Diocese began a major donor campaign for the restricted purpose to upgrade the facilities at DaySpring. These pledges are an intention to give, rather than a promise, and are not legally binding to the donor. At December 31, 2019 and 2018, the Diocese had \$13,167 and \$63,467, respectively, of conditional pledges outstanding. Since these amounts represent conditional promises to give, they are not recorded as contribution revenue until the donor conditions are met and the cash is received.

NOTE I - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment, consist of the following at December 31, 2019 and 2018:

	2019			2018
	Diocese	DaySpring	Total	Total
Land	\$ 219,328	\$ 1,526,194	\$ 1,745,522	\$ 1,733,341
Buildings	1,762,520	7,317,121	9,079,641	9,022,178
Furniture and equipment	280,859	1,092,623	1,373,482	1,258,705
Vehicles	50,798	57,100	107,898	106,526
Construction in progress	41,000	-	41,000	-
	2,354,505	9,993,038	12,347,543	12,120,750
Less accumulated depreciation	(787,547)	(4,076,986)	(4,864,533)	(4,489,127)
	\$ 1,566,958	\$ 5,916,052	\$ 7,483,010	\$ 7,631,623

Depreciation expense for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Diocese	\$ 91,102	\$ 92,216
DaySpring	293,255	300,279
	\$ 384,357	\$ 392,495

**DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE I - LAND, BUILDINGS, AND EQUIPMENT - CONTINUED

The Diocese approved a 3-phase plan to upgrade the facilities at DaySpring Episcopal Center. Phase 1 of this plan includes construction of a new program center and a new pool complex. Phase 2 includes new residential rooms, and Phase 3 includes a new multi-purpose worship center. Phases 2 and 3 are as yet unfunded, and initiation is dependent on gifts and fund raising.

In December 2019, the Diocesan Council approved a \$1.6 million intermediate Phase of transition projects. These projects include a donor recognition gathering area, the relocation of the ropes course, and a new maintenance building to be completed in 2020.

NOTE J - LINE-OF-CREDIT

The Diocese obtained a \$3,000,000 unsecured line-of-credit with a financial institution in 2016 for purposes of implementing the construction ten year master plan at DaySpring. The interest rate on this line-of-credit was 4.50% and 5.25% at December 31, 2019 and 2018, respectively. The outstanding balance was \$395,363 and \$1,223,990 at December 31, 2019 and 2018, respectively. The unused balance at December 31, 2019 and 2018 was \$2,604,637 and \$1,776,010, respectively.

NOTE K - BOARD-DESIGNATED NET ASSETS

At December 31, 2019 and 2018, the Diocesan Council has designated unrestricted net assets for the following:

	<u>2019</u>	<u>2018</u>
Mission fund	\$ 2,360,881	\$ 2,059,006
Capital revolving loan fund	3,806,725	3,613,260
DaySpring endowment	247,468	220,648
Diocesan endowment	<u>1,785,027</u>	<u>1,556,571</u>
	<u>\$ 8,200,101</u>	<u>\$ 7,449,485</u>

**DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE L - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of gifts and other unexpended support available for the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Benefit of elderly	\$ 2,409,540	\$ 2,101,452
Congregation loans	282,162	122,382
Ministry development	177,686	119,158
St. Bartholomew	77,427	67,526
SCF chaplaincy	39,988	34,878
Missions	749,059	700,503
Bishop's discretionary	70,013	32,964
Underprivileged	87,606	69,047
Theological education	926,275	799,566
Episcopal charities grants	243,130	133,011
DaySpring	175,622	73,370
Other	217,099	180,873
	<u>5,455,607</u>	<u>4,434,730</u>
Donor-restricted endowment funds:		
Bishop's discretionary	534,689	534,689
Missions	392,438	392,438
Benefit of elderly	335,889	335,889
Ministry development	280,054	280,054
Education	122,159	122,159
DaySpring endowment	627,690	559,910
Episcopal charities grants	687,135	656,856
Other	33,112	33,112
	<u>3,013,166</u>	<u>2,915,107</u>
Total net assets with donor restrictions	<u>\$ 8,468,773</u>	<u>\$ 7,349,837</u>

NOTE M - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions as follows during the years ended December 31, 2019 and 2018, by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors:

**DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE M - NET ASSETS RELEASED FROM RESTRICTIONS - CONTINUED

Purpose restrictions accomplished:

	<u>2019</u>	<u>2018</u>
Benefit of elderly	\$ 78,537	\$ 75,700
Ministry development	14,920	14,380
St. Bartholomew	2,524	2,433
College chaplaincy	1,303	1,256
Missions	52,163	50,277
Theological education	32,298	31,131
Bishop's discretionary	9,424	8,098
Underprivileged	4,731	4,560
DaySpring	25,563	29,326
Episcopal charities grants	36,612	26,778
Other	9,234	8,901
	<u>\$ 267,309</u>	<u>\$ 252,840</u>

NOTE N - ENDOWMENT FUNDS

Effective July 1, 2012, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) and in accordance with ASC Topic 958-205-45-28, *Classification of Donor Restricted Endowment Funds Subject to UPMIFA*, the Diocese classifies investment earnings on endowments as a component of net assets with donor restrictions if not appropriated for expenditure in the period earned. Once investment earnings are appropriated for expenditure, the Diocese reclassifies the amount appropriated as a component of net assets without donor restrictions.

The Diocese's endowment consists of several individual funds established for a variety of purposes. Its endowment consists of donor-restricted funds and is subject to donor intent and the terms of its governing documents as well as the provisions of FUPMIFA. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Diocese's Diocesan Council has interpreted the wishes of donors and state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations of the contrary. As a result of this interpretation, the Diocese classifies as permanently restricted (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not permanently restricted is considered to be temporarily restricted until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by FUPMIFA.

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE N - ENDOWMENT FUNDS - CONTINUED

In accordance with FUPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Diocese and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Diocese
- (7) The investment policies of the Diocese

For the years ended December 31, 2019 and 2018, the Diocese has elected not to add appreciation for cost of living or other spending policies to its permanently restricted endowment for inflation and other economic conditions.

Investment Return Objectives, Risk Parameters, and Strategies

The Diocese has adopted investment and spending policies, approved by the Diocesan Council, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed-income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to provide a high level of cash distribution, while growing the funds if possible. Therefore, the Diocese expects its endowment assets, over time, to produce an average rate of return of approximately 7-9% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund, investment assets and allocation between asset classes, and strategies and managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Diocese is operating under an endowment spending policy which dictates that the endowment fund transfer to the operating fund an agreed-upon percentage of the fund. The Diocese estimates the distribution to fall in the range of three to five percent. In establishing this policy, the Diocese considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. This is consistent with the Diocese's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE N - ENDOWMENT FUNDS - CONTINUED

Endowment net asset composition by type of fund as of December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Board-designated endowment funds	\$ 2,032,495	\$ -	\$ 2,032,495
With donor restrictions endowment funds	<u>-</u>	<u>8,468,773</u>	<u>8,468,773</u>
	<u>\$ 2,032,495</u>	<u>\$ 8,468,773</u>	<u>\$ 10,501,268</u>

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Balance, beginning of year	\$ 1,777,219	\$ 7,349,837	\$ 9,127,056
Contributions	-	98,060	98,060
Interest and dividends, net of investment expenses	(7,852)	(31,800)	(39,652)
Net appreciation	327,998	1,319,984	1,647,982
Amount appropriated for expenditures	<u>(64,870)</u>	<u>(267,308)</u>	<u>(332,178)</u>
Balance, end of year	<u>\$ 2,032,495</u>	<u>\$ 8,468,773</u>	<u>\$ 10,501,268</u>

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Board-designated endowment funds	\$ 1,777,219	\$ -	\$ 1,777,219
Donor-restricted endowment funds	<u>-</u>	<u>7,349,837</u>	<u>7,349,837</u>
	<u>\$ 1,777,219</u>	<u>\$ 7,349,837</u>	<u>\$ 9,127,056</u>

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE N - ENDOWMENT FUNDS - CONTINUED

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Balance, beginning of year	\$ 1,953,566	\$ 7,962,187	\$ 9,915,753
Contributions	-	79,582	79,582
Interest and dividends, net of investment expenses	(9,254)	(35,824)	(45,078)
Net depreciation	(103,290)	(399,424)	(502,714)
Amount appropriated for expenditures	<u>(63,803)</u>	<u>(256,684)</u>	<u>(320,487)</u>
Balance, end of year	<u>\$ 1,777,219</u>	<u>\$ 7,349,837</u>	<u>\$ 9,127,056</u>

NOTE O - PENSION PLAN

The Clergy and the lay employees of the Diocese are participants in separate pension plans. The Clergy and lay employees are covered by the Church Pension Fund. The Clergy are covered by a defined benefit plan and the lay employees are covered by a defined contribution plan. The plan covering lay employees calls for annual contributions by the Diocese, based on a percent of aggregate employee compensation. Total pension expense for all employees for the years ended December 31, 2019 and 2018 was \$130,328 and \$151,757, respectively. The Church Pension Fund 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 employees also participate in a separate pension plan through the Church Pension Fund. Total expense for the years ended December 31, 2019 and 2018 was \$60,892 and \$58,546, respectively.

NOTE P - POSTRETIREMENT BENEFITS

Under a plan adopted January 1, 1999, the Diocese provides certain health care 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 any time; therefore, no future obligations are recorded under generally accepted accounting principles. In 2011, the Diocese adopted a new policy that affected the calculation of the total retiree benefit amount starting in 2012. The new policy provides for the Diocese to designate a total retiree benefit amount each year as part of their annual budgeting process. This amount is based on the income released from the endowment funds restricted for the benefit of the elderly, may include funds from current year Diocesan operating funds and is then divided by the budgeted number of eligible retirees each year. Total postretirement benefit expense for the years ended December 31, 2019 and 2018 was \$77,568 and \$77,258, respectively.

DIOCESE OF SOUTHWEST FLORIDA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE Q - DAYSPRING ELIMINATIONS AND RELATED ACTIVITY

The consolidated financial statements of the Diocese include related DaySpring 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 investment in DaySpring of \$6,793,237 at both December 31, 2019 and 2018. At December 31, 2019 and 2018, \$344,697 and \$352,555, respectively, of DaySpring support and revenue was eliminated along with the transfer of \$32,268 and \$29,326, respectively, of total return distribution per the spending rule included in the endowment fund. DaySpring depreciation is included within the consolidated statements of activities.

NOTE R - SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Diocese' financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Diocese is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for year ended 2020.

The Diocese has evaluated events occurring after the consolidated statements of financial position date through May 16, 2020, the date which the consolidated financial statements were available to be issued. The Diocese is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

DIOCESE OF SOUTHWEST FLORIDA, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

Assets	Diocese Operating	DaySpring Operating	Eliminating Entries	Total
Cash	\$ 486,360	\$ 134,080	\$ -	\$ 620,440
Investments:				
Held for others	5,696,449	-	-	5,696,449
Held in endowment	10,501,268	-	-	10,501,268
Other	3,210,016	-	-	3,210,016
Apportionments and notes receivable, net	25,024	-	-	25,024
Accounts receivable, net	-	5,097	-	5,097
Loans receivable, net	2,653,603	-	-	2,653,603
Mortgage note receivable	1,250,430	-	-	1,250,430
Other assets	46,760	-	-	46,760
Land, buildings, and equipment, net	1,566,958	5,916,052	-	7,483,010
Investment in DaySpring	6,793,237	-	(6,793,237)	-
Total assets	\$ 32,230,105	\$ 6,055,229	\$ (6,793,237)	\$ 31,492,097
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 410,760	\$ 97,359	\$ -	\$ 508,119
Deposits	59,022	127,442	-	186,464
Line-of-credit	395,363	-	-	395,363
Deposits held for others	5,696,449	-	-	5,696,449
Total liabilities	6,561,594	224,801	-	6,786,395
Net Assets				
Net assets without donor restrictions:				
Undesignated (deficit)	7,432,679	(85,624)	(6,793,237)	553,818
Board-designated endowment	2,032,495	-	-	2,032,495
Board-designated other	6,167,606	-	-	6,167,606
Land, buildings, and equipment	1,566,958	5,916,052	-	7,483,010
Total net assets without donor restriction:	17,199,738	5,830,428	(6,793,237)	16,236,929
Net assets with donor restrictions	8,468,773	-	-	8,468,773
Total net assets	25,668,511	5,830,428	(6,793,237)	24,705,702
Total Liabilities and Net Assets	\$ 32,230,105	\$ 6,055,229	\$ (6,793,237)	\$ 31,492,097

See independent auditor's report

**DIOCESE OF SOUTHWEST FLORIDA, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	<u>Diocese Operating</u>	<u>DaySpring Operating</u>	<u>Eliminating Entries</u>	<u>Total</u>
Support and Revenue				
Diocesan apportionments	\$ 3,746,663	\$ -	\$ -	\$ 3,746,663
Investment return, net of fees	2,060,610	32,268	(32,268)	2,060,610
Contributions and bequests	109,338	1,552	-	110,890
DaySpring operations	-	1,821,254	(344,697)	1,476,557
Program revenue	156,401	-	-	156,401
Capital income - major gifts	93,935	-	-	93,935
Interest income from loans to churches	95,606	-	-	95,606
Other interest income	-	31	-	31
Recovery of bad debt	92,234	-	-	92,234
Total support and revenue	6,354,787	1,855,105	(376,965)	7,832,927
Operating Expenses				
Program services:				
Congregation Support	990,453	-	(37,789)	952,664
Ministry	1,467,662	-	(209,391)	1,258,271
DaySpring	28,340	2,020,962	-	2,049,302
Total program services	2,486,455	2,020,962	(247,180)	4,260,237
Supporting services:				
Administrative	1,356,549	-	(129,785)	1,226,764
Total operating expenses	3,843,004	2,020,962	(376,965)	5,487,001
Change in Net Assets from Operations	2,511,783	(165,857)	-	2,345,926
Other Changes - Revenue (Expense)				
Other income	61,120	-	-	61,120
Total other changes	61,120	-	-	61,120
Change in Net Assets	2,572,903	(165,857)	-	2,407,046
Net Assets at Beginning of Year	23,095,608	(796,952)	-	22,298,656
Net Assets at End of Year	\$ 25,668,511	\$ (962,809)	\$ -	\$ 24,705,702

See independent auditor's report