

# **Diocese of Southwest Florida, Inc.**

## **Consolidated Financial Statements**

**December 31, 2020 and 2019**



**DIOCESE OF SOUTHWEST FLORIDA, INC.**  
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December 31, 2020 and 2019:

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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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, 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, 2020; 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 15, 2021

**DIOCESE OF SOUTHWEST FLORIDA, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b><u>ASSETS</u></b>		
Cash	\$ 879,271	\$ 620,440
Investments:		
Held for others	6,662,490	5,696,449
Held in endowment	11,329,224	10,501,268
Other	3,424,303	3,210,016
Apportionments and notes receivable, net	69,078	25,024
Accounts receivable, net	-	5,097
Loans receivable, net	2,496,847	2,653,603
Mortgage note receivable	1,250,430	1,250,430
Other assets	8,071	46,760
Land, buildings, and equipment, net	7,424,907	7,483,010
<b>Total Assets</b>	<b>\$ 33,544,621</b>	<b>\$ 31,492,097</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 314,678	\$ 567,141
Line-of-credit	-	395,363
Deposits	31,997	127,442
Deposits held for others	6,662,490	5,696,449
<b>Total liabilities</b>	7,009,165	6,786,395
<b>Net Assets</b>		
Net assets without donor restrictions:		
Undesignated	1,552,412	553,818
Board-designated endowment	2,183,130	2,032,495
Board-designated other	6,228,913	6,167,606
Land, buildings, and equipment	7,424,907	7,483,010
<b>Total net assets without donor restrictions</b>	17,389,362	16,236,929
Net assets with donor restrictions	9,146,094	8,468,773
<b>Total net assets</b>	26,535,456	24,705,702
<b>Total Liabilities and Net Assets</b>	<b>\$ 33,544,621</b>	<b>\$ 31,492,097</b>

**See accompanying notes to consolidated financial statements**

**DIOCESE OF SOUTHWEST FLORIDA, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020  
(WITH COMPARATIVE TOTALS FOR 2019)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2020</u>	<u>2019</u>
<b>Support and Revenue</b>				
Diocesan apportionments	\$ 3,802,370	\$ -	\$ 3,802,370	\$ 3,746,663
Investment return, net of fees	546,627	915,925	1,462,552	2,060,610
Contributions and bequests	14,241	87,413	101,654	110,890
DaySpring operations	523,433	-	523,433	1,476,557
Program revenue	84,820	-	84,820	156,401
Capital income - major gifts	307,644	-	307,644	93,935
Interest income from loans to churches	91,292	-	91,292	95,606
Other interest income	102	-	102	31
Recovery of bad debt	28,498	-	28,498	92,234
	<u>5,399,027</u>	<u>1,003,338</u>	<u>6,402,365</u>	<u>7,832,927</u>
Net assets released from restrictions	<u>326,017</u>	<u>(326,017)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>5,725,044</u>	<u>677,321</u>	<u>6,402,365</u>	<u>7,832,927</u>
<b>Operating Expenses</b>				
Program services:				
Congregation Support	959,666	-	959,666	952,664
Ministry	1,296,909	-	1,296,909	1,258,271
DaySpring	1,637,895	-	1,637,895	2,049,302
<b>Total program services</b>	<u>3,894,470</u>	<u>-</u>	<u>3,894,470</u>	<u>4,260,237</u>
<b>Supporting Services:</b>				
Administrative	<u>1,040,129</u>	<u>-</u>	<u>1,040,129</u>	<u>1,226,764</u>
<b>Total operating expenses</b>	<u>4,934,599</u>	<u>-</u>	<u>4,934,599</u>	<u>5,487,001</u>
<b>Change in Net Assets from Operations</b>	<u>790,445</u>	<u>677,321</u>	<u>1,467,766</u>	<u>2,345,926</u>
<b>Other Changes - Revenue (Expense)</b>				
Contribution income - PPP	347,027	-	347,027	-
Other income	14,961	-	14,961	61,120
<b>Total other changes</b>	<u>361,988</u>	<u>-</u>	<u>361,988</u>	<u>61,120</u>
<b>Change in Net Assets</b>	<u>1,152,433</u>	<u>677,321</u>	<u>1,829,754</u>	<u>2,407,046</u>
<b>Net Net Assets at Beginning of Year</b>	<u>16,236,929</u>	<u>8,468,773</u>	<u>24,705,702</u>	<u>22,298,656</u>
<b>Net Net Assets at End of Year</b>	<u>\$ 17,389,362</u>	<u>\$ 9,146,094</u>	<u>\$ 26,535,456</u>	<u>\$ 24,705,702</u>

See accompanying notes to consolidated financial statements

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Diocesan apportionments	\$ 3,746,663	\$ -	\$ 3,746,663
Investment return, net of fees	772,425	1,288,185	2,060,610
Contributions and bequests	12,830	98,060	110,890
DaySpring operations	1,476,557	-	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
	<u>6,446,682</u>	<u>1,386,245</u>	<u>7,832,927</u>
Net assets released from restrictions	<u>267,309</u>	<u>(267,309)</u>	<u>-</u>
<b>Total support and revenue</b>	<b>6,713,991</b>	<b>1,118,936</b>	<b>7,832,927</b>
<b>Operating Expenses</b>			
Program services:			
Congregation Support	952,664	-	952,664
Ministry	1,258,271	-	1,258,271
DaySpring	2,049,302	-	2,049,302
<b>Total program services</b>	<b>4,260,237</b>	<b>-</b>	<b>4,260,237</b>
<b>Supporting Services:</b>			
Administrative	<u>1,226,764</u>	<u>-</u>	<u>1,226,764</u>
<b>Total operating expenses</b>	<b>5,487,001</b>	<b>-</b>	<b>5,487,001</b>
<b>Change in Net Assets from Operations</b>	<b>1,226,990</b>	<b>1,118,936</b>	<b>2,345,926</b>
<b>Other Changes - Revenue (Expense)</b>			
Other income	<u>61,120</u>	<u>-</u>	<u>61,120</u>
<b>Total other changes</b>	<b>61,120</b>	<b>-</b>	<b>61,120</b>
<b>Change in Net Assets</b>	<b>1,288,110</b>	<b>1,118,936</b>	<b>2,407,046</b>
<b>Net Assets at Beginning of Year</b>	<u>14,948,819</u>	<u>7,349,837</u>	<u>22,298,656</u>
<b>Net Assets at End of Year</b>	<u><b>\$ 16,236,929</b></u>	<u><b>\$ 8,468,773</b></u>	<u><b>\$ 24,705,702</b></u>

See accompanying notes to consolidated financial statements

**DIOCESE OF SOUTHWEST FLORIDA, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**  
**(WITH COMPARATIVE TOTALS FOR 2019)**

	Program Services				Administrative	Total	
	Congregation Support	Ministry	DaySpring	Total Program Services		2020	2019
Salaries and employee benefits	\$ 370,315	\$ 456,453	\$ 773,585	\$ 1,600,353	\$ 638,442	\$ 2,238,795	\$ 2,427,542
Program ministry	-	702,606	-	702,606	-	702,606	744,782
Food services	-	-	101,833	101,833	-	101,833	267,438
Grounds and building maintenance	-	-	71,279	71,279	-	71,279	115,137
Grants to congregations	432,461	-	-	432,461	-	432,461	439,498
Occupany	-	45,588	140,945	186,533	29,349	215,882	245,186
Guest services	-	-	15,522	15,522	-	15,522	29,476
Insurance	-	-	217,548	217,548	45,328	262,876	228,859
Bad debt	156,890	-	-	156,890	-	156,890	155,862
Travel	-	1,876	1,569	3,445	-	3,445	11,388
Meetings and conventions	-	-	-	-	31,238	31,238	41,198
Interest expense	-	-	-	-	7,204	7,204	43,059
Office expenses	-	-	1,744	1,744	20,159	21,903	26,433
Computer services	-	-	3,300	3,300	69,582	72,882	63,358
Miscellaneous	-	-	9,796	9,796	18,508	28,304	73,335
Scholarships	-	47,854	-	47,854	-	47,854	45,559
Donations	-	42,532	-	42,532	-	42,532	43,076
Legal and accounting	-	-	3,000	3,000	36,667	39,667	31,587
Postage	-	-	561	561	30,096	30,657	32,955
Repairs and maintenance	-	-	-	-	7,276	7,276	15,621
Cemetery	-	-	-	-	8,988	8,988	9,511
Education and training	-	-	2,134	2,134	-	2,134	6,249
Dues and subscriptions	-	-	3,239	3,239	-	3,239	5,535
<b>Total Expenses Before Depreciation</b>	<b>959,666</b>	<b>1,296,909</b>	<b>1,346,055</b>	<b>3,602,630</b>	<b>942,837</b>	<b>4,545,467</b>	<b>5,102,644</b>
Depreciation	-	-	291,840	291,840	97,292	389,132	384,357
<b>Total Expenses</b>	<b>\$ 959,666</b>	<b>\$ 1,296,909</b>	<b>\$ 1,637,895</b>	<b>\$ 3,894,470</b>	<b>\$ 1,040,129</b>	<b>\$ 4,934,599</b>	<b>\$ 5,487,001</b>

See accompanying notes to consolidated financial statements



**DIOCESE OF SOUTHWEST FLORIDA, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 1,829,754	\$ 2,407,046
<b>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</b>		
Depreciation	389,132	384,357
Transfer of new mission assets	20,187	-
Realized and unrealized gain on investments	(1,526,053)	(2,106,802)
Increase in allowance for uncollectible receivables	128,392	48,627
Increase (decrease) in apportionments and notes receivable	(172,446)	143,065
Increase (decrease) in accounts receivable, net	5,097	(69)
Decrease (increase) in other assets	38,689	(34,664)
Increase (decrease) in accounts payable and accrued expenses	(252,461)	46,392
Increase in deposits	(95,445)	64,096
Contributions restricted for endowment	(87,413)	(98,060)
	277,433	853,988
<b>Net cash (used in) provided by operating activities</b>	<b>277,433</b>	<b>853,988</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(4,857,875)	(4,554,669)
Proceeds from sale of investments	4,375,644	2,995,610
Increase in deposits held for others	966,041	2,164,580
Payments received on loans receivable	276,755	221,137
Proceeds disbursed for loans receivable	(120,000)	(588,000)
Purchases of land, buildings, and equipment	(351,217)	(235,744)
	289,348	2,914
<b>Net cash provided by investing activities</b>	<b>289,348</b>	<b>2,914</b>
<b>Cash Flows from Financing Activities:</b>		
Contributions restricted for endowment	87,413	98,060
Payments on line-of-credit	(395,363)	(828,627)
	(307,950)	(730,567)
<b>Net cash provided by (used in) financing activities</b>	<b>(307,950)</b>	<b>(730,567)</b>
<b>Net Increase in Cash</b>	<b>258,831</b>	<b>126,335</b>
<b>Cash at Beginning of Year</b>	<b>620,440</b>	<b>494,105</b>
<b>Cash at End of Year</b>	<b>\$ 879,271</b>	<b>\$ 620,440</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 7,204	\$ 43,059

**See accompanying notes to consolidated financial statements**

**DIOCESE OF SOUTHWEST FLORIDA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**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 R**).

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 78 congregations within the Episcopal Diocese have total endowment assets of \$54,097,538 and combined normal operating income of \$32,807,466 as of and for the year ended December 31, 2019.

**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, 2020 AND 2019**

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**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, 2020 and 2019, 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, 2020 AND 2019**

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**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, 2020 and 2019, 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, 2020 and 2019 were approximately \$15.2 million and \$13.4 million, respectively.

**DIOCESE OF SOUTHWEST FLORIDA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

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**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, 2020 and 2019, 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 \$28,498 and \$92,234 for the years ended December 31, 2020 and 2019, 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 \$156,890 and \$150,000 Mission/Ministry Dividend for the years ended December 31, 2020 and 2019, respectively, that was distributed on a pro rata basis. During 2020, the Diocesan Council decided to apply the amount to the current year apportionment balances to provide immediate relief at the start of the COVID-19 outbreak. 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, 2020 AND 2019**

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**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 2020 and 2019. The "asking" expense was approximately \$504,000 and \$497,000 for the years ended December 31, 2020 and 2019, 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 27% and 19% of DaySpring revenues for 2020 and 2019, respectively.

**Government Assistance – Paycheck Protection Program**

Government assistance programs that are in essence, conditional contributions, will be initially recorded as liabilities until such time as the conditions attached to the government assistance are substantially met. When it is determined that the conditions are substantially met, contribution income will be recognized.

**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, 2020 and 2019.

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

<b><u>Expense</u></b>	<b><u>Method of Allocation</u></b>
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 2019 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.**  
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**NOTE C - AVAILABILITY AND LIQUIDITY**

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

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 879,271	\$ 620,440
Investments - other	3,924,566	3,710,253
Apportionments and notes receivable, net	69,078	25,024
Accounts receivable, net	<u>-</u>	<u>5,097</u>
Total financial assets	4,872,915	4,360,814
Less Amounts Not Available to be Used Within One Year:		
Accounts payable and accrued expenses	86,588	168,896
Amounts payable for specific users	410,233	457,273
Conference deposits for following year	<u>27,123</u>	<u>127,442</u>
	523,944	753,611
Payment of line-of-credit	<u>-</u>	<u>395,363</u>
	<u>523,944</u>	<u>1,148,974</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,348,971</u>	<u>\$ 3,211,840</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 -\$0- and \$395,363 at December 31, 2020 and 2019, respectively. In 2020, the Diocese reduced the line-of-credit to zero 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 \$1,388,554 or Mission Fund \$2,536,012. 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.**  
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**NOTE D - INVESTMENTS**

At December 31, 2020 and 2019, the Diocese held investments as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
ECF - Investment Fund	\$13,730,420	\$20,027,463	\$13,075,779	\$18,219,862
ECF - Income Fund	1,277,159	1,388,554	1,109,762	1,187,871
	<u>\$15,007,579</u>	<u>\$21,416,017</u>	<u>\$14,185,541</u>	<u>\$19,407,733</u>

Financial instruments included in the consolidated statements of financial position at December 31, 2020 and 2019 are measured at the reporting date using Level 2 inputs.

Investment return was comprised of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 5,904	\$ 23,792
Net realized and unrealized gains (losses)	1,526,053	2,106,802
Investment fees	<u>(69,405)</u>	<u>(69,984)</u>
Investment return, net of fees	<u>\$ 1,462,552</u>	<u>\$ 2,060,610</u>

**NOTE E - APPORTIONMENTS AND NOTES RECEIVABLE**

During the years ended December 31, 2020 and 2019, the Diocese reviewed the individual apportionment receivable balances for collectability. As of December 31, 2020 and 2019, the apportionments and notes receivable included:

	<u>2020</u>	<u>2019</u>
Apportionments converted to notes	\$ 166,942	\$ 75,865
Current apportionments receivable	118,250	36,881
Allowance for uncollectible accounts	<u>(216,114)</u>	<u>(87,722)</u>
Net apportionments and notes receivable	<u>\$ 69,078</u>	<u>\$ 25,024</u>

**DIOCESE OF SOUTHWEST FLORIDA, INC.**  
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**NOTE F - LOANS RECEIVABLE**

At December 31, 2020 and 2019, 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, 2020 and 2019, the loans outstanding included:

	<u>2020</u>	<u>2019</u>
Iona Hope Episcopal Church, Fort Myers	\$ 750,804	\$ 773,874
St. Monica's Episcopal Church, Naples	265,653	286,774
Church of the Good Shepherd, Dunedin	235,506	257,701
St. Nathaniel's Episcopal Church, North Port	212,092	219,342
Church of the Good Shepherd, Punta Gorda	180,608	253,581
St. Alfred, Palm Harbor	169,627	180,246
St. Bede, St. Petersburg	142,500	146,250
St. John the Divine, Sun City Center	129,618	153,484
St. Alban, St. Pete Beach	83,882	-
St. Mary's Episcopal Church, Tampa	77,500	87,500
St. Vincent, St. Petersburg	52,027	57,861
St. Raphael, Fort Myers Beach	42,250	49,500
St. Martin, Hudson	35,424	43,325
St. Marks, Marco Island	32,581	35,756
Resurrection Episcopal Church, Largo	31,777	36,539
Church of the Epiphany, Cape Coral	31,197	40,000
All Saints Episcopal Church, Tarpon Springs	31,100	34,651
St. John, Clearwater	28,704	-
St. Peter, Plant City	22,403	37,653
St. Wilfred, Sarasota	17,786	21,126
St. Mary Magdalene	7,480	22,112
Allowance for uncollectable accounts	<u>(83,672)</u>	<u>(83,672)</u>
Net loans receivable	<u>\$ 2,496,847</u>	<u>\$ 2,653,603</u>

**DIOCESE OF SOUTHWEST FLORIDA, INC.**  
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**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, 2020 and 2019, 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, 2020 and 2019, the Diocese had \$9,167 and \$13,167, 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, 2020 and 2019:

	<u>2020</u>			<u>2019</u>
	<u>Diocese</u>	<u>DaySpring</u>	<u>Total</u>	<u>Total</u>
Land and improvements	\$ 219,328	\$ 1,639,295	\$ 1,858,623	\$ 1,745,522
Buildings	1,762,520	7,409,051	9,171,571	9,079,641
Furniture and equipment	271,805	1,132,184	1,403,989	1,373,482
Vehicles	50,798	61,342	112,140	107,898
Construction in progress	125,489	-	125,489	41,000
	<u>2,429,940</u>	<u>10,241,872</u>	<u>12,671,812</u>	<u>12,347,543</u>
Less accumulated depreciation	<u>(878,078)</u>	<u>(4,368,827)</u>	<u>(5,246,905)</u>	<u>(4,864,533)</u>
	<u>\$ 1,551,862</u>	<u>\$ 5,873,045</u>	<u>\$ 7,424,907</u>	<u>\$ 7,483,010</u>

Depreciation expense for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Diocese	\$ 97,292	\$ 91,102
DaySpring	<u>291,840</u>	<u>293,255</u>
	<u>\$ 389,132</u>	<u>\$ 384,357</u>

**DIOCESE OF SOUTHWEST FLORIDA, INC.  
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**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 the relocation of the ropes course (completed in 2020), as well as a donor recognition gathering area and a new maintenance building to be completed in 2021.

**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 the line-of-credit is based on the prime rate minus 0.25% (3.0% at December 31, 2020). The outstanding balance was \$-0- and \$395,363 at December 31, 2020 and 2019, respectively. The unused balance at December 31, 2020 and 2019 was \$3,000,000 and \$2,604,637, respectively.

**NOTE K - PAYCHECK PROTECTION PROGRAM**

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Episcopal Diocese obtained a PPP loan for \$183,802 and DaySpring obtained a PPP loan for \$163,225. The notes mature in April 2022 and bear interest at a fixed annual rate of 1%, with the first six months of interest deferred. The Episcopal Diocese and DaySpring, have determined the loans are, in essence, a conditional contribution and believe they have used all of the proceeds from the loans for qualifying expenses during 2020 and forgiveness is probable. Accordingly, contribution income has been included in the accompanying statement of activities for the amount of the PPP loan. The Episcopal Diocese and DaySpring applied for forgiveness in April 2021 and are awaiting notification from the United States Small Business Administration.

**NOTE L - BOARD-DESIGNATED NET ASSETS**

At December 31, 2020 and 2019, the Diocesan Council has designated unrestricted net assets for the following:

	<u>2020</u>	<u>2019</u>
Mission fund	\$ 2,536,012	\$ 2,360,881
Capital revolving loan fund	3,692,901	3,806,725
DaySpring endowment	265,651	247,468
Diocesan endowment	<u>1,917,479</u>	<u>1,785,027</u>
	<u>\$ 8,412,043</u>	<u>\$ 8,200,101</u>

**DIOCESE OF SOUTHWEST FLORIDA, INC.  
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**NOTE M - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of gifts and other unexpended support available for the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Benefit of elderly	\$ 2,588,285	\$ 2,409,540
Congregation loans	288,637	282,162
Ministry development	211,642	177,686
St. Bartholomew	83,171	77,427
SCF chaplaincy	42,954	39,988
Missions	853,518	749,059
Bishop's discretionary	91,503	70,013
Underprivileged	98,373	87,606
Theological education	999,760	926,275
Episcopal charities grants	312,456	243,130
DaySpring	244,600	175,622
Other	238,116	217,099
	<u>6,053,015</u>	<u>5,455,607</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	668,880	627,690
Episcopal charities grants	725,858	687,135
Other	33,112	33,112
	<u>3,093,079</u>	<u>3,013,166</u>
Total net assets with donor restrictions	<u>\$ 9,146,094</u>	<u>\$ 8,468,773</u>

**NOTE N - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions as follows during the years ended December 31, 2020 and 2019, by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors:

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**NOTE N - NET ASSETS RELEASED FROM RESTRICTIONS - CONTINUED**

Purpose restrictions accomplished:

	<b>2020</b>	<b>2019</b>
Benefit of elderly	\$ 93,575	\$ 78,537
Ministry development	17,777	14,920
St. Bartholomew	3,007	2,524
College chaplaincy	1,553	1,303
Missions	69,649	52,163
Theological education	38,483	32,298
Bishop's discretionary	11,250	9,424
Underprivileged	5,637	4,731
DaySpring	31,392	25,563
Episcopal charities grants	42,691	36,612
Other	11,003	9,234
	<b>\$ 326,017</b>	<b>\$ 267,309</b>

**NOTE O - 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.

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**NOTE O - 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, 2020 and 2019, 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.

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**NOTE O - ENDOWMENT FUNDS - CONTINUED**

Endowment net asset composition by type of fund as of December 31, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Board-designated endowment funds	\$ 2,183,130	\$ -	\$ 2,183,130
With donor restrictions endowment funds	-	9,146,094	9,146,094
	<u>\$ 2,183,130</u>	<u>\$ 9,146,094</u>	<u>\$ 11,329,224</u>

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Balance, beginning of year	\$ 2,032,495	\$ 8,468,773	\$ 10,501,268
Contributions	-	87,413	87,413
Interest and dividends, net of investment expenses	(9,322)	(37,292)	(46,614)
Net appreciation	237,544	953,217	1,190,761
Amount appropriated for expenditures	<u>(77,587)</u>	<u>(326,017)</u>	<u>(403,604)</u>
Balance, end of year	<u>\$ 2,183,130</u>	<u>\$ 9,146,094</u>	<u>\$ 11,329,224</u>

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
Donor-restricted endowment funds	-	8,468,773	8,468,773
	<u>\$ 2,032,495</u>	<u>\$ 8,468,773</u>	<u>\$ 10,501,268</u>



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**NOTE O - ENDOWMENT FUNDS - CONTINUED**

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	(64,870)	(267,308)	(332,178)
Balance, end of year	<u>\$ 2,032,495</u>	<u>\$ 8,468,773</u>	<u>\$ 10,501,268</u>

**NOTE P - 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, 2020 and 2019 was \$135,836 and \$130,328, 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, 2020 and 2019 was \$57,969 and \$60,892, respectively.

**NOTE Q - 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, 2020 and 2019 was \$89,079 and \$77,568, respectively.

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**NOTE R - 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 \$7,013,055 and \$6,793,237 at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, \$305,632 and \$344,697, respectively, of DaySpring support and revenue was eliminated along with the transfer of \$39,666 and \$32,268, respectively, of total return distribution per the spending rule included in the endowment fund. Due to the COVID-19 outbreak, \$380,000 was given as support to DaySpring from the Diocesan budget to cover operational expenses and is eliminated in consolidation. DaySpring depreciation is included within the consolidated statements of activities.

**NOTE S - COMMITMENTS AND CONTINGENCIES**

On January 30, 2020, the World Health Association (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's 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 the year ended December 31, 2021.

**NOTE T - SUBSEQUENT EVENTS**

The Diocese has evaluated events occurring after the consolidated statements of financial position date through May 15, 2021, 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, 2020**

<b>Assets</b>	<b>Diocese Operating</b>	<b>DaySpring Operating</b>	<b>Eliminating Entries</b>	<b>Total</b>
Cash	\$ 851,344	\$ 27,927	\$ -	\$ 879,271
Investments:				
Held for others	6,662,490	-	-	6,662,490
Held in endowment	11,329,224	-	-	11,329,224
Other	3,424,303	-	-	3,424,303
Apportionments and notes receivable, net	69,078	-	-	69,078
Loans receivable, net	2,496,847	-	-	2,496,847
Mortgage note receivable	1,250,430	-	-	1,250,430
Other assets	7,681	390	-	8,071
Land, buildings, and equipment, net	1,551,862	5,873,045	-	7,424,907
Investment in DaySpring	7,013,055	-	(7,013,055)	-
<b>Total assets</b>	<b>\$ 34,656,314</b>	<b>\$ 5,901,362</b>	<b>\$ (7,013,055)</b>	<b>\$ 33,544,621</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 306,698	\$ 7,980	\$ -	\$ 314,678
Deposits	4,874	27,123	-	31,997
Line-of-credit	-	-	-	-
Deposits held for others	6,662,490	-	-	6,662,490
<b>Total liabilities</b>	<b>6,974,062</b>	<b>35,103</b>	<b>-</b>	<b>7,009,165</b>
<b>Net Assets</b>				
Net assets without donor restrictions:				
Undesignated	8,572,253	(6,786)	(7,013,055)	1,552,412
Board-designated endowment	2,183,130	-	-	2,183,130
Board-designated other	6,228,913	-	-	6,228,913
Land, buildings, and equipment	1,551,862	5,873,045	-	7,424,907
<b>Total net assets without donor restrictions</b>	<b>18,536,158</b>	<b>5,866,259</b>	<b>(7,013,055)</b>	<b>17,389,362</b>
Net assets with donor restrictions	9,146,094	-	-	9,146,094
<b>Total net assets</b>	<b>27,682,252</b>	<b>5,866,259</b>	<b>(7,013,055)</b>	<b>26,535,456</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 34,656,314</b>	<b>\$ 5,901,362</b>	<b>\$ (7,013,055)</b>	<b>\$ 33,544,621</b>

See independent auditor's report

**DIOCESE OF SOUTHWEST FLORIDA, INC.  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

	<u>Diocese Operating</u>	<u>DaySpring Operating</u>	<u>Eliminating Entries</u>	<u>Total</u>
<b>Support and Revenue</b>				
Diocesan apportionments	\$ 3,802,370	\$ -	\$ -	\$ 3,802,370
Investment return, net of fees	1,462,552	39,666	(39,666)	1,462,552
Contributions and bequests	95,439	6,215	-	101,654
DaySpring operations	-	829,065	(305,632)	523,433
Program revenue	84,820	-	-	84,820
Capital income - major gifts	307,644	-	-	307,644
Interest income from loans to churches	91,292	-	-	91,292
Other interest income	-	102	-	102
Recovery of bad debt	28,498	-	-	28,498
<b>Total support and revenue</b>	<b>5,872,615</b>	<b>875,048</b>	<b>(345,298)</b>	<b>6,402,365</b>
<b>Operating Expenses</b>				
Program services:				
Congregation Support	1,005,944	-	(46,278)	959,666
Ministry	1,447,859	-	(150,950)	1,296,909
DaySpring	35,635	1,602,260	-	1,637,895
<b>Total program services</b>	<b>2,489,438</b>	<b>1,602,260</b>	<b>(197,228)</b>	<b>3,894,470</b>
<b>Supporting services:</b>				
Administrative	1,568,199	-	(528,070)	1,040,129
<b>Total operating expenses</b>	<b>4,057,637</b>	<b>1,602,260</b>	<b>(725,298)</b>	<b>4,934,599</b>
<b>Change in Net Assets from Operations</b>	<b>1,814,978</b>	<b>(727,212)</b>	<b>380,000</b>	<b>1,467,766</b>
<b>Other Changes - Revenue (Expense)</b>				
Contribution income - PPP	183,802	163,225	-	347,027
Other income	14,961	380,000	(380,000)	14,961
<b>Total other changes</b>	<b>198,763</b>	<b>543,225</b>	<b>(380,000)</b>	<b>361,988</b>
<b>Change in Net Assets</b>	<b>2,013,741</b>	<b>(183,987)</b>	<b>-</b>	<b>1,829,754</b>
<b>Net Assets at Beginning of Year</b>	<b>25,668,511</b>	<b>(962,809)</b>	<b>-</b>	<b>24,705,702</b>
<b>Net Assets at End of Year</b>	<b>\$ 27,682,252</b>	<b>\$ (1,146,796)</b>	<b>\$ -</b>	<b>\$ 26,535,456</b>

See independent auditor's report