CATHOLIC DIOCESE OF ST. PETERSBURG
PASTORAL CENTER

Combined Financial Statements
and Supplementary Financial Information

June 30, 2018 and 2017
(With Independent Auditor's Report Thereon)

CATHOLIC DIOCESE OF ST. PETERSBURG
PASTORAL CENTER

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Independent Auditor's Report

Most Reverend Gregory L. Parkes, Bishop and
Diocesan Finance Council of the Catholic Diocese of St. Petersburg Pastoral Center:

We have audited the accompanying combined financial statements of the Catholic Diocese of St. Petersburg Pastoral Center and affiliated entities (see Note 1 to the combined financial statements) (the "Pastoral Center"), which comprise the combined statements of financial position as of June 30, 2018 and 2017, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pastoral Center's preparation and fair presentation of the combined 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 Pastoral Center'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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Diocese of St. Petersburg Pastoral Center and affiliated entities as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Financial Information

The accompanying schedule of financial position information by fund and the schedule of activities information by fund are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Mayer Hoffman McCann P.C.

November 16, 2018
Tampa, Florida

CATHOLIC DIOCESE OF ST. PETERSBURG
PASTORAL CENTER

Combined Statements of Financial Position

June 30, 2018 and 2017

		2018	2017
Assets			
Cash and cash equivalents	$	20,140,818	13,284,912
Investments:			
Held in trust for parishes and schools		77,034,291	70,126,444
Held for the Emmaus Foundation, Inc.		27,313,806	25,691,485
Held for other Diocesan entities		45,162,315	41,027,370
Insurance premiums receivable, net		786,900	442,736
Pledges receivable, net		1,415,552	1,623,906
Estates and trusts receivable		3,091,412	3,558,404
Loans receivable - parishes and schools, net		11,900,272	13,981,119
Prepaid expenses and other assets		796,469	854,041
Cemetery plots and other inventory		367,041	408,139
Notes and other receivables, net		8,042,375	8,284,086
Land, buildings and equipment, net		31,052,356	31,669,544
Total assets	$	227,103,607	210,952,186
Liabilities and Net Assets			
Liabilities:			
Accounts payable, accrued expenses and other liabilities	$	6,294,151	5,799,868
Deposits held in trust - parishes and schools		77,034,291	70,126,444
Deposits held in trust - other		22,584,215	21,488,632
Estimated liability for insurance claims		4,876,610	4,385,734
Annuity obligations		878,286	901,023
Total liabilities		111,667,553	102,701,701
Net assets:			
Unrestricted:			
Undesignated		10,242,080	8,129,940
Invested in land, buildings and equipment, net		27,827,787	28,258,743
Designated for specific programs		51,760,237	46,526,996
Total unrestricted		89,830,104	82,915,679
Temporarily restricted		13,201,268	13,381,523
Permanently restricted		12,404,682	11,953,283
Total net assets		115,436,054	108,250,485
Total liabilities and net assets	$	227,103,607	210,952,186

CATHOLIC DIOCESE OF ST. PETERSBURG
PASTORAL CENTER

Combined Statements of Activities

For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Support:								
Parish assessments and Annual Pastoral Appeal	$ 10,577,094	2,641,350	-	13,218,444	9,973,467	3,310,380	-	13,283,847
Contributions and bequests	533,248	829,647	451,399	1,814,294	362,673	1,913,440	47,252	2,323,365
Revenue:								
Insurance premium revenue	27,109,048	-	-	27,109,048	25,845,350	-	-	25,845,350
Investment return	7,436,089	912,845	-	8,348,934	9,096,039	852,404	-	9,948,443
Interest income on loans	740,765	-	-	740,765	636,197	-	-	636,197
Programs and sales	5,997,128	-	-	5,997,128	5,344,104	-	-	5,344,104
Gains (losses) on sale of property and equipment	(2,517)	-	-	(2,517)	3,258,385	-	-	3,258,385
Other revenues	394,009	-	-	394,009	292,001	-	-	292,001
Change in value of split-interest agreements	(55,464)	-	-	(55,464)	(74,193)	-	-	(74,193)
Net assets released from restrictions	4,564,097	(4,564,097)	-	-	3,772,407	(3,772,407)	-	-
Total support and revenue	57,293,497	(180,255)	451,399	57,564,641	58,506,430	2,303,817	47,252	60,857,499
Expenses:								
Program services:								
Ministries and apostolates	9,029,631	-	-	9,029,631	8,725,619	-	-	8,725,619
Catholic formation and education	4,381,532	-	-	4,381,532	5,389,323	-	-	5,389,323
Social services	1,065,143	-	-	1,065,143	1,135,310	-	-	1,135,310
Clergy development and religious	2,845,066	-	-	2,845,066	2,886,498	-	-	2,886,498
Parochial services	1,668,262	-	-	1,668,262	1,770,691	-	-	1,770,691
Insurance programs	28,798,898	-	-	28,798,898	24,434,870	-	-	24,434,870
Savings and loan program	381,130	-	-	381,130	1,399,841	-	-	1,399,841
Property administration	665,800	-	-	665,800	732,219	-	-	732,219
Stewardship	357,552	-	-	357,552	334,064	-	-	334,064
Total program services	49,193,014	-	-	49,193,014	46,808,435	-	-	46,808,435
Supporting services:								
Diocesan administration	1,186,058	-	-	1,186,058	1,324,364	-	-	1,324,364
Total expenses	50,379,072	-	-	50,379,072	48,132,799	-	-	48,132,799
Change in net assets	6,914,425	(180,255)	451,399	7,185,569	10,373,631	2,303,817	47,252	12,724,700
Net assets, beginning of year	82,915,679	13,381,523	11,953,283	108,250,485	72,542,048	11,077,706	11,906,031	95,525,785
Net assets, end of year	$ 89,830,104	13,201,268	12,404,682	115,436,054	82,915,679	13,381,523	11,953,283	108,250,485

See accompanying independent auditor’s report and notes to combined financial statements.

CATHOLIC DIOCESE OF ST. PETERSBURG
PASTORAL CENTER

Combined Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	7,185,569	12,724,700
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Provision for doubtful accounts, net of recoveries		(749,645)	136,488
Provision for insurance claims		490,876	830,035
Gains (losses) on sale of property and equipment		2,517	(3,258,385)
Amortization of discount on loans receivable		(23,610)	(27,999)
Depreciation expense		1,429,416	1,465,679
Net realized and unrealized gains on investments		(3,742,285)	(7,443,280)
Change in value of split-interest agreements		55,464	74,193
Contributions under annuity agreements		(24,257)	(4,731)
Changes in operating assets and liabilities:			
Insurance premiums receivable		(252,683)	185,606
Pledges receivable		199,054	(87,704)
Estates and trusts receivable		466,992	2,170,598
Other receivables		4,940	2,692,219
Prepaid expenses and other assets		57,572	316,253
Cemetery plots and other inventory		41,098	118,589
Accounts payable, accrued expenses and other liabilities		494,283	245,132
Estimated liability for insurance claims		-	(444,433)
Net cash provided by operating activities		5,635,301	9,692,960
Cash flows from investing activities:			
Proceeds from sales and maturities of investments		14,538,921	51,263,846
Purchases of investments		(22,368,028)	(64,676,798)
Net change in deposits held in trust		6,909,709	3,619,557
Net purchases of investments		(919,398)	(9,793,395)
Collections on loans receivable		5,811,763	4,379,828
Loans to Diocesan entities - parishes and schools		(2,815,071)	(10,132,102)
Collections on notes and other receivables		12,000	13,000
Purchases of land, buildings, and equipment		(859,641)	(419,840)
Proceeds from sales of land, buildings and equipment		44,896	3,515,345
Net cash provided by (used in) investing activities		1,274,549	(12,437,164)
Cash flows from financing activities:			
Assets received under charitable gift annuity agreements		60,000	10,000
Payments to donor annuitants		(113,944)	(113,082)
Payments on note payable - bank		-	(7,056,360)
Net cash used in financing activities		(53,944)	(7,159,442)
Net increase (decrease) in cash and cash equivalents		6,855,906	(9,903,646)
Cash and cash equivalents, beginning of year		13,284,912	23,188,558
Cash and cash equivalents, end of year	$	20,140,818	13,284,912
Noncash activities:			
Increase in value of deposits held in trust - Non-Diocesan entities	$	1,093,721	827,821

See accompanying independent auditor’s report and notes to combined financial statements.

(1) Nature of Operations and Basis for Presentation

The Catholic Diocese of St. Petersburg (the "Diocese") was established by the Roman Catholic Church in 1968 to serve the Catholic community in Citrus, Hernando, Hillsborough, Pasco and Pinellas Counties in West Central Florida. The Pastoral Center of the Diocese (the "Pastoral Center") consists of the Office of Bishop and his supporting staff, who administer Diocesan assets and minister to parishes, schools and other institutions in the five-county area.

This financial report is intended to provide transparency and accountability to the parishioners of the Diocese, many of whom have made financial contributions directly to the Diocese or indirectly supported the Diocese through the financial support of parishes. In addition, this report serves other users who are also interested in the financial condition of entities that are funded through other sources. Inclusion in this report does not indicate that assets, net assets, or cash flow of any entity is available for other entities, nor do any liabilities attach to any of the entities with which an entity has been combined. Each entity has a specific purpose and its governing board has a fiduciary responsibility to the owners or beneficiaries of that entity. Assets which entities have acquired are distinct from the assets of other entities even though they may be comingled in a fund such as the Savings and Loan Trust of the Diocese of St. Petersburg. For the purposes of this financial report, the assets, liabilities, net assets, and activities of the Pastoral Center have been reported on a combined basis with those of the following organizations (which are separate legal entities under the laws of the State of Florida and administered by their respective Boards) through which the Pastoral Center ministers within a separate corporate or trust structure:

- Bethany Center Inc.
- Emmaus Foundation, Inc. d/b/a The Catholic Foundation of the Diocese of St. Petersburg (the "Catholic Foundation")
- Insurance and Employee Benefit Trust of the Diocese of St. Petersburg (Insurance and Employee Benefit Trust)
- Miserere Guild, Inc. d/b/a Calvary Catholic Cemetery
- Miserere Guild of Hillsborough, Inc. d/b/a Resurrection Cemetery, Inc.
- Our Lady of Good Counsel Camp, Inc.
- Savings and Loan Trust of the Diocese of St. Petersburg (Savings and Loan Trust)
- WBVM - 90.5 FM, Inc.

The Pastoral Center's audited combined financial statements do not include the assets, liabilities, net assets or activities of certain other separate legal entities such as parishes, missions, parochial schools, Diocesan high school corporations, Morning Star school corporations, Catholic Academies - Diocese of St. Petersburg, Inc., Catholic School System - Diocese of St. Petersburg, Inc., Catholic Formation, Inc., Catholic Charities, Diocese of St. Petersburg, Inc., DOSP USF Housing, Inc., multiple corporations providing affordable housing and other entities. However, Catholic Formation, Inc. and Catholic Charities, Diocese of St. Petersburg, Inc. each have separate audits conducted by independent certified public accounting firms with audited statements published on their respective websites.

(1) <u>Nature of Operations and Basis for Presentation - Continued</u>

The operations of the Diocese regularly include related party transactions with entities that are not combined, as well as with those that are combined. The Pastoral Center receives the majority of its operational support from approximately 80 parishes in the five-county area of the Diocese. In addition, the Pastoral Center provides significant financial support to many of the entities mentioned above, including those which are combined for reporting purposes and those which are not combined for reporting purposes.

The Pastoral Center has the following major types of ministries and program activities.

Pastoral Programs

Ministries and Apostolates: faith ministries and migrant apostolates; Miserere Guild, Inc., d/b/a Calvary Catholic Cemetery; WBVM - 90.5 FM, Inc., a radio station; Bethany Center Inc., a retreat center; and Our Lady of Good Counsel Camp, Inc., a summer camp.

Catholic Formation and Education: education and formational ministries and programs; Catholic Education Foundation, Inc. whose purpose is to support the Catholic schools of the Catholic Diocese of St. Petersburg; and Emmaus Foundation, Inc. d/b/a The Catholic Foundation of the Diocese of St. Petersburg (the “Catholic Foundation”).

Social Services: providing support to Catholic Charities, and other operating ministries and social service activities.

Clergy Development and Religious: promoting and educating candidates to the priesthood, providing clergy support, providing support to seminaries and providing program services to the religious women and men in Diocesan institutions.

Parochial Services: providing various ministry and administrative support services to parishes, educational institutions and other Diocesan entities.

Insurance Programs: administration of the Diocesan insurance and employee benefit programs (a trust).

Savings and Loan Programs: an investing and lending program utilizing commingled funds for the Pastoral Center, parishes and educational institutions (a trust).

Property Administration: various activities related to the planning and maintenance of all Diocesan owned properties.

Stewardship: programs for encouraging and developing giving within the Diocese.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Unrestricted Net Assets: Net assets not subject to donor-imposed stipulations. Included in unrestricted net assets are net assets designated for specific programs by management based upon the nature and types of programs. Such designations are subject to change.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that are expected to be met by actions of the Pastoral Center and/or the passage of time. In addition, earnings on certain donor restricted endowments are classified as temporarily restricted, pursuant to the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) until appropriated for expenditure by the Diocesan Finance Council.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that the assets be maintained permanently by the Pastoral Center. Generally, the donors of these assets permit the Pastoral Center to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, including unconditional promises to give (pledges), are recognized as revenues 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 and are subsequently adjusted as necessary based on any permanent impairment of their fair value.

Interfund balances and interfund transactions are eliminated from these combined financial statements.

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

(2) Summary of Significant Accounting Policies - Continued

(b) Cash and Cash Equivalents

Other than short-term investments, the Pastoral Center considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Cash is on deposit at several high quality financial institutions in bank deposit accounts which at times, may exceed federally insured limits. The Pastoral Center has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

(c) Loans Receivable - Parishes and Schools (Savings and Loan Trust)

A savings and loan program is administered by a Board of Trustees appointed by the Bishop of the Diocese. Loans made from the Trust are restricted to qualified Diocesan entities including parishes, schools and Catholic Charities. Loans may be made for construction projects and operational needs of the entities. Entities must submit written applications for loans demonstrating, among other things, their ability to repay the loan. All loan requests of greater than $50,000 must be approved by the Bishop and the Board of Trustees. Loans of less than $50,000 may be approved by the Bishop.

Loans are made at fixed interest rates (currently 4%) that are reviewed and adjusted periodically as necessary by the Trustees based upon the needs of the Trust and current market rate conditions. Such loans are amortized over periods ranging from 3 years to 30 years, depending on the size and type of loan, and the financial condition and needs of the entity. In some cases, usually involving construction projects, loans are not amortized until the completion of all of the requirements of the project or another event. In some cases, based on the entity's financial condition and/or the purpose of the loan, loans are made at zero percent interest.

On a quarterly basis, Pastoral Center management reviews the payment history of each loan, and based on such history, the financial condition of the entity and other pertinent factors, establishes an allowance for loans that they believe may not be collectible. Such allowances are reported to and approved by the Trustees on a quarterly basis as part of the Trust's quarterly financial statements.

(d) Notes and Other Receivables

Certain other notes and accounts receivable result from the ministries and operations of the Pastoral Center. Included are long-term, non-interest bearing land loans to certain parishes, stop-loss insurance claims' recoveries, costs advanced on low-income housing construction projects of the Diocese, Cemetery trade receivables, parish assessment receivables and other miscellaneous advances that are made outside the Savings and Loan Trust. Except for the land loans, these receivables are usually collected within one year. However, management analyzes the collectability of the receivables in this account on a quarterly basis, records an estimated allowance for uncollectible items, and reports the receivables net of the allowance.

(2) Summary of Significant Accounting Policies - Continued

(e) Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded net of an allowance for doubtful pledges. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows net of an allowance for doubtful pledges. The discounts on those amounts are computed using a risk adjusted interest rate which corresponds with the collection period of the respective pledge. Amortization of discounts is included in contribution revenue.

(f) Bequests Receivable

The Catholic Foundation recognizes its interest in estates in process as a receivable (when the Court declares the related will valid) at fair value and as temporarily restricted net assets.

(g) Estates and Trusts Receivable

The Pastoral Center recognizes a receivable and revenue for their interest in estates and trusts in process based on the inventories of assets and conditions contained in the respective documents. The Pastoral Center records receivables (when the court declares the related document valid) as either temporarily restricted net assets, as these assets will not be available until future years, or as permanently restricted net assets. As funds (other than permanently restricted) are collected, temporarily restricted net assets are reclassified to unrestricted net assets if the donor-stipulated purpose has been fulfilled and reported in the combined statements of activities as net assets released from restrictions.

(h) Land, Buildings and Equipment

Land, buildings and equipment are stated at cost, when purchased or at fair value at date of gift, when donated. Land is valued at cost which, in the aggregate, is less than fair value. Depreciation on buildings and equipment is calculated using the straight-line method over the estimated useful lives of the assets.

(i) Pledges Payable

Unconditional promises for expenditures approved by the Board of Trustees and management are recorded as pledges payable in the year they are approved and the recipient is identified. These unconditional promises are expected to be paid in future years as specified in the approval process.

(2) Summary of Significant Accounting Policies - Continued

(j) Impairment of Long-Lived Assets

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 combined statements of financial position and reported at the lower of carrying amount or fair value less costs to sell and no longer depreciated. No impairment charges were recorded during the years ended June 30, 2018 and 2017.

In addition to consideration of impairment upon events or changes in circumstances described above, management regularly evaluates the remaining lives of its impaired long-lived assets. If estimates are revised, the carrying value of affected assets is depreciated or amortized over the remaining lives.

(k) Fair Value Measurements of Investments

The Pastoral Center evaluates the fair value measurements of financial assets and financial liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. In accordance with generally accepted accounting principles, fair value measurements are evaluated by a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Pastoral Center's assumptions (unobservable inputs). Determining where an asset or liability falls within the hierarchy depends on the lowest level of input that is significant to the fair value measurement as a whole. There are three levels of hierarchy:

Level 1: based on quoted market prices in active markets for identical assets or liabilities;

Level 2: based on inputs other than Level 1 inputs which are either directly or indirectly observable;

Level 3: based on unobservable inputs. The Pastoral Center does not have any Level 3 fair value measurements.

The Pastoral Center evaluates its hierarchy disclosures annually, and based on various factors it is possible that an asset or liability may be classified differently from year to year. The Pastoral Center's Level 2 alternative investments are valued at net asset value (NAV). The Pastoral Center does not have any unfunded commitments for these investments and the investments are redeemable daily.

(2) Summary of Significant Accounting Policies - Continued

(k) Fair Value Measurements of Investments - Continued

Fair value of investments measured on a recurring basis at June 30, 2018 and 2017 are as follows:

	Level 1	Level 2	Level 3	Total
June 30, 2018:				
Mutual funds	$ 91,649,415	-	-	91,649,415
Marketable equity securities	8,709,345	-	-	8,709,345
Bonds and other income securities	427,074	14,550,427	-	14,977,501
Short-term investments	11,215,080	-	-	11,215,080
Certificates of deposit	-	257,442	-	257,442
	$ 112,000,914	14,807,869	-	126,808,783
Alternative investments measured at NAV				22,701,629 (a)
Total investments, at fair value				$ 149,510,412
June 30, 2017:				
Mutual funds	$ 85,556,825	-	-	85,556,825
Marketable equity securities	7,390,800	-	-	7,390,800
Bonds and other income securities	-	14,279,790	-	14,279,790
Short-term investments	9,138,684	-	-	9,138,684
Certificates of deposit	-	259,015	-	259,015
	$ 102,086,309	14,538,805	-	116,625,114
Alternative investments measured at NAV				20,220,185 (a)
Total investments, at fair value				$ 136,845,299

(a) *In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the accompanying combined statements of financial position.*

(l) Other Fair Value Measurements

At June 30, 2018 and 2017, the following methods, assumptions and accounting principles were used to estimate the fair value of each of the following classes of financial instruments for which it is practical to estimate that value:

Pledges Receivable: The fair value is determined at the present value of the amount pledged based on the risk adjusted interest rate which corresponds with the collection period of the respective pledge.

(2) Summary of Significant Accounting Policies - Continued

(l) Other Fair Value Measurements - Continued

Loans Receivable: Except for non-interest-bearing loans in the amount of $578,740 and $714,488 at June 30, 2018 and 2017, respectively, the carrying amount of loans receivable approximates fair value because these financial instruments bear rates which approximate current market rates for loans of similar collateral position, credit quality and maturities. Noninterest bearing loans relate to a planned construction for certain parishes.

Notes and Other Receivables: The carrying amount of notes and other receivables includes land purchase receivables that are not subject to repayment terms at the present time. Such land purchase receivables were $5,253,443 and $5,265,443 at June 30, 2018 and 2017, respectively, and are non-interest bearing. It is not practical, nor possible, to obtain independent estimates of the fair values for these receivables (see Note 7).

Savings Deposits: The carrying amount of savings deposits approximates fair value because of the short-term maturities of these financial instruments.

(m) Endowments

The Pastoral Center follows applicable Florida law with respect to donor-restricted funds and complies with any donor imposed restrictions on the use of the investment income or net appreciation resulting from the donor restricted permanent endowment funds. However, when there is an absence of donor restrictions on the use of the investment income or net appreciation, the Pastoral Center follows applicable law.

The Pastoral Center has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment assets, which include both internally designated and donor restricted endowments while seeking to maintain the purchasing power of these endowment assets over the long term. The objective is to maintain the purchasing power of endowment assets in perpetuity by seeking long-term returns, which either match or exceed the spending rate plus inflation.

To satisfy its long-term rate-of-return objectives, the Pastoral Center relies on a total return strategy using higher returning asset classes. Asset allocation is global in scope and allows the investment of foreign and domestic securities in the portfolio. The Pastoral Center targets a diversified asset allocation that places an emphasis on equity-based and fixed income mutual funds, and marketable equity securities to achieve its long-term return objectives within prudent risk constraints.

(2) Summary of Significant Accounting Policies - Continued

(n) Parish Assessments and Annual Pastoral Appeal

Parish assessments help fund the various ministry budgets of the Pastoral Center and are recorded in the year the parish is assessed by the Pastoral Center. Such assessment is based on each parish's offertory, among other factors. The Annual Pastoral Appeal (APA) represents pledges received from parishioners to help pay their parish's assessment. APA pledges receivable at June 30, 2018 and 2017 are included in temporarily restricted net assets since they will not be available to the Diocese until the next fiscal year.

(o) Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Diocese have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Pastoral Center evaluates the allocations annually, and based on various factors, reclassifications of the allocations of costs may occur from year to year.

(p) Reclassifications

Certain amounts appearing in the 2017 combined financial statements have been reclassified to conform to the presentation in 2018.

(q) Income Taxes

In an annually updated ruling, the Internal Revenue Service has held that the agencies, instrumentalities and educational, charitable and religious institutions operated, supervised or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in "The Official Catholic Directory" are exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Diocese and the combined entities within these financial statements are listed in "The Official Catholic Directory" and therefore the Pastoral Center is exempt from income tax. Accordingly, the accompanying 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 or liabilities have been recorded by the Pastoral Center as of June 30, 2018 or 2017.

(r) Cemetery - Perpetual Care Funds

Included in the Cemetery's sales contract is a commitment to maintain graves, crypts, niches and memorial gardens in perpetuity and the contract stipulates 10% of such sales shall be segregated for the perpetual care of the Cemetery. The Cemetery has set these funds aside as a reserve designated for this commitment.

(2) Summary of Significant Accounting Policies - Continued

(s) Use of Estimates

The preparation of the combined financial statements in accordance with generally accepted accounting principles in the United States of America requires management of the Pastoral Center to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Significant items subject to such estimates include the estimates of the allowances for uncollectible loans and pledges and the reserves for insurance claims. Actual results could differ from those estimates.

(t) Subsequent Events

In accordance with generally accepted accounting principles in the United States of America the management of the Pastoral Center must evaluate subsequent events, and must recognize and disclose events or transactions occurring after the combined statement of financial position date under certain circumstances. The Pastoral Center evaluated its June 30, 2018 combined financial statements for subsequent events through November 16, 2018, the date the combined financial statements were available to be issued. The Pastoral Center is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

(3) Investments

Investments at June 30, 2018 and 2017 consist of the following:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Mutual funds:				
Large Cap Growth Equity	$ 28,610,634	23,414,217	24,812,251	21,510,420
Small Cap Value Equity	1,161,640	1,123,630	1,024,303	976,647
Domestic Fixed Income	33,993,054	31,929,989	33,119,394	29,383,968
Global Balanced / TAA	10,538,346	10,073,032	10,109,297	10,095,693
International Equity	17,345,741	15,716,062	16,491,580	15,131,675
Marketable equity securities:				
Domestic - Small Cap Value	8,709,345	7,041,596	7,390,800	6,547,168
Bonds and other income securities:				
US Government obligations	13,326,783	13,647,656	12,460,624	12,534,949
Corporate bonds	1,223,644	1,257,540	1,397,351	1,398,114
Aggregate bond index	427,074	437,744	421,815	471,864
Alternative investments:				
Passive S&P 500 Equity	22,701,629	12,471,668	20,220,185	12,286,650
Short-term investments:				
Prime Obligations Institutional FFS	11,215,080	11,218,279	9,138,684	9,141,599
Certificates of deposit	257,442	257,442	259,015	259,015
	$ 149,510,412	128,588,855	136,845,299	119,737,762

Short term investments include money market funds which are held for investment purposes.

(3) Investments - Continued

Investments at June 30, 2018 and 2017 are held for the following funds/activities:

		2018	2017
Savings and Loan Fund Trust	$	107,163,529	96,859,029
Emmaus Foundation, Inc.		27,313,806	25,691,485
Endowed Funds		11,905,214	11,360,967
Cemetery Funds		3,127,863	2,933,818
Total investments	$	149,510,412	136,845,299
Including:			
Held in Trust for Parishes and Schools	$	77,034,291	70,126,444
Held in Trust for the Catholic Foundation and other Funds		22,584,215	21,488,632
Total investments held in trust	$	99,618,506	91,615,076

Included in the Savings and Loan Fund Trust investments above are investments of $1,706,842 and $1,687,033 at June 30, 2018 and 2017, respectively, which are pledged as collateral for self-insurance of workers compensation claims (see Note 6).

The components of net investment return, net for the years ended June 30, 2018 and 2017 are as follows:

		2018	2017
Interest and dividend income	$	4,806,597	2,675,119
Net realized and unrealized gains		3,742,285	7,443,280
Management fees		(199,948)	(169,956)
Total investment return, net	$	8,348,934	9,948,443

(4) Pledges Receivable

Pledges receivable from participating parishes and other entities at June 30, 2018 and 2017 are as follows:

		2018	2017
Pledges receivable	$	1,422,352	1,623,906
Less allowance for doubtful pledges		(6,800)	-
Net pledges receivable	$	1,415,552	1,623,906

(4) Pledges Receivable - Continued

An allowance for doubtful pledges is provided for balances due when the collection of such amounts is considered doubtful. Although the Pastoral Center continues to work with these donors, at present there has been no decision made as to a definitive and adequate means of repayment.

The activity in the allowance for doubtful accounts is as follows:

		Amount
Balance at June 30, 2016	$	80,465
Provision for doubtful accounts		7,585
Writeoffs		(88,050)
Balance at June 30, 2017		-
Provision for doubtful accounts		9,300
Writeoffs		(2,500)
Balance at June 30, 2018	$	6,800

(5) Loans Receivable - Parishes and Schools (Savings and Loan Fund Trust)

Loans receivable from Diocesan entities at June 30, 2018 and 2017 are as follows:

		2018	2017
Parishes and parochial schools	$	16,530,464	21,449,195
High schools		487,718	500,217
		17,018,182	21,949,412
Less discount on non-interest bearing loans		(49,608)	(73,218)
Less allowance for doubtful loans		(5,068,302)	(7,895,075)
Loans receivable, net	$	11,900,272	13,981,119

An allowance for doubtful loans is provided for balances due when the collection of such amounts is considered doubtful. Although the Trust continues to work with these entities and has restructured the terms on certain loans, at present there has been no decision made as to a definitive and adequate means of repayment. The interest rate charged for loans was 4.0% during the years ended June 30, 2018 and 2017, except for loans of $578,740 and $714,488 outstanding as of June 30, 2018 and 2017, respectively, which are non-interest bearing.

(5) Loans Receivable - Parishes and Schools (Savings and Loan Fund Trust) - Continued

The activity in the allowance for doubtful loans was as follows:

		Amount
Balance at June 30, 2016	$	8,188,049
Provision for doubtful accounts		3,330,445
Recoveries		(3,209,286)
Write-offs		(414,133)
Balance at June 30, 2017		7,895,075
Provision for doubtful accounts		416,941
Recoveries		(1,309,176)
Write-offs		(1,934,538)
Balance at June 30, 2018	$	5,068,302

(6) Insurance and Employee Benefits Trust

All Diocesan entities, including parishes and schools, are required to participate in the insurance programs that are administered through this Trust. The insurance programs include: Property, Liability, Workers' Compensation, Vehicle, Unemployment Compensation, Group Health, Group Life, Short-term Disability, Long-term Disability, Student Accident, and Special Events. Some of these programs are fully-insured through independent underwriters; some are self-funded; and some are funded with a combination of fully-insured and self-funded sources. The two self-funded programs with the highest potential risk (Workers' Compensation and Group Health) use fully-insured stop-loss insurances to protect against catastrophic losses.

Participating entities are charged premiums based upon the estimated costs of the programs, including insurance premiums paid to underwriters, self-insured claims expenses, excess and stop-loss insurance premiums, professional administration fees, necessary reserves and administration costs.

Reserves for self-funded insurance claims for potential uninsured losses are computed using actuarial valuations and management estimates. In the opinion of management, the reserves for insurance claims of $4,876,610 and $4,385,734 at June 30, 2018 and 2017, respectively, represent adequate provision for unpaid losses which have been incurred, but may not be reported, as of June 30, 2018 and 2017.

Insurance premiums receivable from participating entities at June 30, 2018 and 2017 are as follows:

		2018	2017
Insurance premiums receivable	$	1,441,138	1,188,455
Less allowance for doubtful accounts		(654,238)	(745,719)
Net insurance premiums receivable	$	786,900	442,736

(6) Insurance and Employee Benefits Trust - Continued

The activity in the allowance for doubtful accounts was as follows:

	Amount
Balance at June 30, 2016	$ 812,464
Provision for doubtful accounts	322
Write-offs	(67,067)
Balance at June 30, 2017	745,719
Recoveries, net	(91,481)
Write-offs	-
Balance at June 30, 2018	$ 654,238

(7) Notes and Other Receivables

Notes and other receivables are as follows:

	2018	2017
Land purchase receivables	$ 5,253,443	5,265,443
Ministry and program trade receivables	1,262,118	784,376
Parish assessment receivables	1,172,431	1,152,796
Stop-loss recoveries and other insurance receivable	10,688	768,799
Other	1,854,908	1,656,528
	9,553,588	9,627,942
Less allowance for doubtful accounts	(1,511,213)	(1,343,856)
Notes and other receivables, net	$ 8,042,375	8,284,086

The activity in the allowance for doubtful accounts was as follows:

	Amount
Balance at June 30, 2016	$ 1,402,182
Provision for doubtful accounts	7,422
Write-offs	(65,748)
Balance at June 30, 2017	1,343,856
Provision for doubtful accounts	224,771
Write-offs	(57,414)
Balance at June 30, 2018	$ 1,511,213

(7) Notes and Other Receivables - Continued

The land purchase receivables included in notes and other receivables are amounts advanced to twelve parishes in previous years to fund the cost of the parishes' land, determined in accordance with Diocesan Policy at the time of the creation of the parish. The amounts paid are non-interest bearing and are not subject to a recovery agreement at the present time. However, by agreement with the parishes, under certain circumstances, the Bishop of the Diocese of St. Petersburg may demand that the amounts be repaid to the Savings and Loan Fund Trust. Management has classified these transactions with the parishes as receivables at their book value since (1) it is not known when the Bishop may request the recovery of the amounts paid, and (2) the amounts paid are ultimately secured by the parishes' property, and in the event of the closing and sale of the parish, first dollar proceeds would come to the Savings and Loan Fund Trust of the Diocese of St. Petersburg and would be sufficient to recover the receivables.

(8) Land, Buildings and Equipment

Land, buildings and equipment consist of the following at June 30, 2018 and 2017:

	2018	2017	Useful Life
Buildings and improvements	$ 32,055,500	32,005,779	15-30 years
Construction-in-progress	335,797	63,432	-
Computer equipment	1,000,057	970,375	3-10 years
Furniture and fixtures	3,065,458	2,931,070	3-10 years
Vehicles	365,496	377,181	5 years
	36,822,308	36,347,837	
Less accumulated depreciation	(19,082,907)	(17,735,699)	
	17,739,401	18,612,138	
Land	13,312,955	13,057,406	
	$ 31,052,356	31,669,544	

Depreciation expense for the years ended June 30, 2018 and 2017 was $1,429,416 and $1,465,679, respectively.

(9) Leases

The Pastoral Center leases equipment under capital leases, which are included in accounts payable, accrued expenses and other liabilities. The economic substance of the lease is that the Pastoral Center is financing the acquisition of the equipment through the lease, and accordingly, they are recorded as capital lease obligations as of June 30, 2018 and 2017 totaling $4,325 and $7,467, respectively. The cost and accumulated amortization of the leased assets as of June 30, 2018 were $15,438 and $14,152, respectively. The cost and accumulated amortization of the leased assets as of June 30, 2017 were $21,438 and $17,064, respectively. Future minimum lease payments due under these leases are nominal in amount and expire over various dates through November 2019.

(9) Leases - Continued

The Pastoral Center leases equipment, office and residential space during the course of operations under operating leases. Rent expense for these leases was $181,674 and $187,560 for the years ended June 30, 2018 and 2017, respectively.

The Pastoral Center has entered into an agreement to lease office space from a parish for WBVM - 90.5 FM, Inc. The lease is for 25 years, which commenced October 2009. The lease may be terminated by the Pastoral Center with six months written notice to the parish. For the years ended June 30, 2018 and 2017, rent expense for the lease was $84,804 and $92,696, respectively.

(10) Bank Debt

The unsecured line of credit is for working capital needs up to $10,000,000 and the balance drawn was $0 at June 30, 2018 and 2017. The line of credit bears interest at a rate of LIBOR plus 1.47% (3.54% at June 30, 2018) and matures in June 2019.

The Pastoral Center is subject to a financial covenant with the bank which stipulates the Pastoral Center must maintain unencumbered and unrestricted investments, with a fair value of at least the total loans outstanding, including amounts due to the bank for which the Diocese has guaranteed repayment or is a co-signor (see Note 16) or $19.7 million. At June 30, 2018 and 2017, the Pastoral Center was in compliance with this covenant.

Interest paid on the line of credit during the years ended June 30, 2018 and 2017 was $0 and $56,665, respectively.

(11) Deposits Held in Trust - Non-Diocesan Entities

Deposits held in trust - Non-Diocesan entities are held and managed by the Catholic Foundation under various programs for the benefit of various ministries in the Diocese. The net investment income earned or losses incurred on these deposits is distributed to the participants.

Deposits held in trust for non-Diocesan entities at June 30, 2018 and 2017 are as follows:

	2018	2017
A Catholic Corporation	$ 11,594,489	10,890,945
School endowments	8,207,196	7,877,411
Other Diocesan entities	13,928	13,584
St. Cecelia Catholic Church Foundation	2,636,292	2,576,484
Other entities	132,310	130,208
Total	$ 22,584,215	21,488,632

(12) Designated for Specific Programs

Net assets designated for specific programs at June 30, 2018 and 2017 were as follows:

	2018	2017
Cemetery operations and care	$ 7,488,648	8,318,774
Insurance/employee benefit trust	14,434,720	15,554,978
Annual Pastoral Appeal	7,103,344	6,721,967
Savings and Loan Trust	21,916,803	15,192,346
Communications	741	741
Good Counsel Camp	815,981	738,190
Total	$ 51,760,237	46,526,996

(13) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets available for future periods or particular purposes at June 30, 2018 and 2017, by major ministry category, were as follows:

	2018	2017
Purpose restrictions:		
Catholic formation and education	$ 3,117,230	3,001,026
Assistance to the needy	121,086	166,091
Clergy and seminarian support	3,547,997	3,715,315
Communications	95,443	97,866
Other ministries	1,206,668	1,115,262
	8,088,424	8,095,560
Time restrictions:		
Assistance to the needy	2,910,535	2,728,481
Annual Pastoral Appeal	1,385,469	1,621,756
Charitable gift annuities	576,840	571,961
Land held for sale	240,000	240,000
Capital campaign	-	123,765
Total temporarily restricted	$ 13,201,268	13,381,523

(13) Temporarily and Permanently Restricted Net Assets - Continued

Permanently restricted net assets are restricted to investment in perpetuity, the income of which is expendable to support:

		2018	2017
Catholic formation and education	$	6,045,330	5,596,931
Seminarian support		3,215,325	3,215,325
Diocesan ministries		1,802,951	1,802,951
Cemetery care		129,352	129,352
Parish ministry and support		1,058,396	1,058,396
Other		153,328	150,328
Total permanently restricted	$	12,404,682	11,953,283

The Pastoral Center's permanently restricted net assets are invested in one of three ways. They are either invested in the Diocesan Savings and Loan Trust where they earn a fixed rate of return; or, they are placed in the Catholic Foundation for investment with independent investment managers; or, they are placed directly with independent investment institutions. The Trust and the Foundation are governed by separate Boards of Trustees that are appointed by the Bishop of the Diocese of St. Petersburg. These Trustees oversee the investment of these funds. For those funds placed with independent investment managers and institutions, investment policies are adopted that consider the purposes and needs of the earnings based on the individual restrictions of the funds' donors.

(14) Annuity Obligations

The Catholic Foundation is certified by the State of Florida to market and manage charitable gift annuity contracts. Under these contracts, a donor transfers assets to the Catholic Foundation at the beginning of the contract and the Catholic Foundation makes predetermined quarterly payments to the donor, or in certain cases donors' spouses, over their remaining lifetimes. Upon the donors' death, the remaining assets are available for the Catholic Foundation's use, subject to any specific donor restrictions. Annuity obligations are stated at the actuarial present value of future cash flows expected to be paid to donors over their lifetimes. The discount rates used in computing the present value of annuity obligations range from 1.2% to 6.2% as of June 30, 2018 and 2017. At June 30, 2018 and 2017, annuity obligations totaled $878,286 and $901,023, respectively.

State law requires the Catholic Foundation to maintain a reserve fund in connection with its gift annuity program. The required amount to be maintained in the fund is based on a multiple of the actuarial value of the related annuity obligations.

(15) Expenses

Expenses by natural classification were as follows for the years ended June 30, 2018 and 2017:

		2018	2017
Salaries	$	6,471,588	6,687,511
Employee benefits, less intradiocesan insurance premiums of $1,290,665 and $1,164,554		1,549,605	1,243,750
Grants, contributions and subsidies to Diocesan entities		2,031,542	2,969,721
Grants to Diocesan School Corporations (Note 18)		2,522,058	2,622,795
Programs/conferences sponsored/clergy support		2,514,692	2,243,432
Professional fees		2,035,954	2,475,141
Travel, meetings and education		262,433	435,402
Depreciation		1,429,416	1,465,679
Property maintenance and taxes		333,890	269,936
Utilities and telephone		390,695	380,054
Assessments and quotas		357,270	517,215
Building/equipment maintenance		590,275	653,203
Supplies		140,272	167,932
Postage		105,963	116,516
Dues and periodicals		81,705	88,732
Stipends and contract labor		80,413	58,945
Rent		181,674	187,560
Cost of sales and other related expenses		680,894	585,138
Advertising		51,034	80,387
Other		16,339	5,011
		21,827,712	23,254,060
Insurance claims:			
Health plan		23,492,355	17,801,538
Property, liability and other		1,232,011	2,680,215
Insurance premiums, paid to independent entities		3,502,886	3,173,549
Interest paid to independent entities on deposits held		1,071,450	1,024,424
Interest on bank debt and capitalized leases		2,303	62,525
Net provisions (recoveries) for loan and other losses		(749,645)	136,488
Total expenses	$	50,379,072	48,132,799

(16) Commitments and Contingencies

(a) Loan Contingencies

The Diocese entered into a line of credit arrangement with a financial institution to provide up to $30 million in financing for construction and renovation projects undertaken by Diocesan parishes, a high school and Catholic Charities, Diocese of St. Petersburg, Inc. The respective Diocesan entities are responsible for repayment of any amounts borrowed, and the Diocese is a co-signer on all loans. The loans have maturity dates that range from July 1, 2017 to November 1, 2023, however the loans are subject to renewal at those times. The amount outstanding on borrowings by Diocesan entities, which is not reflected in these combined financial statements at June 30, 2018 and 2017 under this line of credit, was $16,696,719 and $19,280,981, respectively. The Diocese has not experienced any losses on these borrowings for the years ended June 30, 2018 and 2017.

(b) Guarantees

The Diocese guaranteed borrowings from a commercial bank by Catholic Charities, Diocese of St. Petersburg, Inc.; a $268,037 term loan and a $300,000 revolving line of credit. The term loan, which had a 3.20% fixed rate, was due in monthly installments beginning on July 20, 2007 with all unpaid interest and principal due on June 10, 2017. The $300,000 revolving line of credit bears interest at a variable rate based on the 30 day LIBOR rate, plus 1.47% and is not less than 3.0%. Total borrowings under the term loan and the revolving line of credit guaranteed by the Pastoral Center which are not reflected in these combined financial statements at June 30, 2018 and 2017 were $0 and $171,346, respectively. The guarantee is for the entire amount and term of the borrowings. The loans and guarantees are secured by deposits and investments, if any, maintained by Catholic Charities at the commercial bank. If Catholic Charities defaults on a payment, the Pastoral Center would have to perform under the guarantee. It is not practical to obtain independent estimates of the fair values for the contingent liability for this guaranteed debt.

During 2012 the Diocese guaranteed a borrowing from a commercial bank by Catholic Charities - Arbor Villas, Inc. and Catholic Charities, Diocese of St. Petersburg, Inc.; a $1,000,000 commercial real estate term loan. The amount due under this loan guaranteed by the Diocese which is not reflected in these combined financial statements at June 30, 2018 and 2017 was $175,000 and $215,000, respectively. The loan is payable at $3,333 per month, plus interest with any remaining unpaid principal due September 2, 2021. Interest on the loan is based upon the 30 day LIBOR rate, plus 1.90% and is not less than 3.0%. The loan is secured by deposits and investments, if any, maintained by Catholic Charities at the commercial bank and the low-income housing project purchased with the loan, including rents, leases and profits of Catholic Charities - Arbor Villas, Inc. It is not practical to obtain independent estimates of the fair values for the contingent liability for this guaranteed debt.

(16) Commitments and Contingencies - Continued

(b) Guarantees - Continued

In September 2016, the Diocese advanced $1,665,000 to DOSP USF Housing, Inc., a related party (see Note 18). This funding was then invested by DOSP USF Housing, Inc. in NSHF Tampa, LLC, a joint venture with WDZ, LLC, a limited liability company formed in Illinois. DOSP Housing, Inc. has a 49% ownership interest in NSHF Tampa, LLC. During 2017, the Diocese guaranteed borrowings under NSHF Tampa, LLC's $8,075,000 construction loan with a commercial bank. The construction loan, which bears interest at the 1-month LIBOR rate plus 325 basis points (5.32% at June 30, 2018), requires interest only payments during the 2 year construction and lease up phase, followed by monthly installments of principal and interest over a 25 year amortization period. The balance under the construction loan at June 30, 2018 was $8,042,000, which is not reflected in these combined financial statements. The guarantee is for 49% of the outstanding balance or $3,940,580 as of June 30, 2018 with the remainder guaranteed by an unrelated party. The construction loan is secured by the underlying property, maintained by NSHF Tampa, LLC. If the related party defaults on a payment, the Diocese would have to perform under the guarantee, although the guarantee agreement specifies the bank will enforce the guarantee on a pro rata basis (Diocese 49%; unrelated party 51%). It is not practical to obtain independent estimates of the fair value of the contingent liability for this guaranteed debt.

(c) Litigation

The Pastoral Center is subject to asserted and unasserted claims arising in the course of activities. While the result of litigation cannot be predicted with absolute certainty, management believes the final outcome will not have a materially adverse effect on the Pastoral Center's financial condition. The Pastoral Center has accrued for estimated losses as of June 30, 2018 and 2017.

(17) Pension Plan

The Diocese has a multiemployer defined benefit pension plan named "Pension Plan for the Employees of the Entities of the Diocese of St. Petersburg" (the "Plan"). The Plan is a non-contributory plan and covers employees of all Diocesan entities who meet participation requirements. The Pastoral Center and the other employer entities of the Diocese make contributions to the Plan equal to amounts accrued for pension expense, which includes the amortization of past service cost over periods of 15 to 30 years. Information concerning Plan assets and accrued benefits is not kept with respect to each individual participating entity; the Plan is administered and evaluated only on an aggregate basis. Eligible employees, as defined in the Plan document, are entitled to pension benefits beginning with normal retirement age equal to a defined amount per unit of service. In addition, eligible employees, as defined in the Plan document, may be entitled to early retirement and disability benefits under certain circumstances. As a Church, the Plan is not subject to ERISA. A favorable Determination Letter was received from the Internal Revenue Service for the Plan during 2014. The Pastoral Center's total pension expense for the years ended June 30, 2018 and 2017 was $733,439 and $730,426, respectively.

(17) Pension Plan - Continued

Total contributions to the Plan by all participating entities were approximately $8.7 million and $8.6 million for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018, the most recent actuarial valuation, the accumulated Plan benefits and the assets available for such benefits are as follows:

		Amount
Vested benefits:		
Participants currently receiving payments	$	120,597,995
Terminated vested participants		28,563,081
Other participants		61,476,596
		210,637,672
Nonvested benefits		3,790,806
Total actuarial present value of accumulated plan benefits	$	214,428,478
Net assets available for plan benefits	$	198,275,706

The Pastoral Center also offers a 401(k) Plan for substantially all of the employees of the entities of the Diocese. This Plan is administered separately from the Defined Benefit Pension Plan discussed above. This Plan is a non-contributory plan, and as such, the Pastoral Center did not make any contributions to the plan during fiscal years 2018 and 2017.

(18) Related Parties

In addition to the operating ministries disclosed in Note 1, there are certain other ministries operating outside the geographic area of the Diocese that are not included in the combined financial statements, in which the Pastoral Center has an economic and ministerial interest. They are ministries owned and operated by dioceses included in the Province of Florida, as follows: a seminary for the education and development of candidates for the Priesthood (Regional Seminary of St. Vincent de Paul in Florida, Inc.), and The Florida Catholic Conference which exists to promote the health, education and welfare of the dioceses in the Province of Florida.

The Pastoral Center's percentage of ownership in the seminary is between 20% and 25% and, for the Florida Catholic Conference is between 40% and 45%. The Pastoral Center, and the other dioceses in the Province of Florida, provides support to each of these ministries in the form of tuition and operating subsidies.

For the years ended June 30, 2018 and 2017, the Diocese provided operating subsidies to the Regional Seminary of St. Vincent de Paul, Inc. in Florida in the amounts of $116,542 and $108,457, respectively, and to the Florida Catholic Conference in the amounts of $165,430 and $145,989, respectively.

(18) Related Parties - Continued

The Diocese has also formed several corporations that operate within the Diocese that are not included in the combined financial statements. They are Catholic Formation, Inc., Catholic Academies - Diocese of St. Petersburg, Inc., Catholic School System - Diocese of St. Petersburg, Inc. and DOSP USF Housing, Inc.

Catholic Formation, Inc. was formed to conduct the activities of a capital campaign throughout the Diocese. The capital campaign is taking place over several years and the primary purpose is to provide support to Catholic education and Seminarian education for the Diocese. As of June 30, 2018 the Diocese has received an advance in the amount of $1,281,622 from Catholic Formation, Inc. The advance represents partial funding of parish-share grants to be disbursed by the Diocese for Catholic Formation, Inc. in January 2019. The advance was included in accounts payable, accrued expenses, and other liabilities. As of June 30, 2017, the Diocese had received an advance from Catholic Formation, Inc. in the amount of $1,312,856 representing partial funding of parish-share grants that were disbursed by the Diocese in January 2018. The advance was included in accounts payable, accrued expenses, and other liabilities.

The two Catholic School Corporations were formed to provide support to certain Catholic Schools of the Diocese. Parish assessments include a special assessment for the schools in the amount of $1,255,881 and $1,688,624, for the years ended June 30, 2018 and 2017, respectively. The related subsidy expense for 2018 and 2017 was $1,543,553 and $768,357, respectively.

During 2016 the Diocese created DOSP USF Housing, Inc., a not for profit Florida corporation for the purpose of investing in the development of faith-based student housing adjacent to the campus of the University of South Florida in Tampa, Florida. During 2017, the Diocese advanced $1,715,000 to DOSP USF Housing, Inc. as initial funding of this entity. This loan has accrued interest at 4% since inception. The balance due was $1,840,440 and $1,768,393 as of June 30, 2018 and 2017, respectively. Due to the start-up nature of this activity, repayment terms have not been set. The provision for doubtful accounts includes an allowance for the full amount of this loan.

(19) Endowments

The Diocese has interpreted the FUPMIFA 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 to the contrary. As a result of this interpretation, the Diocese classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the 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 classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by FUPMIFA. Any amount not appropriated for expenditure will be reclassified, subject to the original endowment restrictions imposed by the donor.

(19) Endowments - Continued

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

- The duration and preservation of the fund
- The purposes of the organization
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predicable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A diversified asset allocation is utilized to achieve its long-term return objectives with prudent risks.

The Diocese has a policy of appropriating distributions each year of approximately 4% to 5% of the endowment funds. Accordingly, over the long term, the Diocese expects the current spending policy to allow its endowments to grow. This is consistent with the Diocese's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

At June 30, 2018, endowed net assets are comprised of $2,760,987 and $12,404,682 of temporarily restricted funds and permanently restricted funds, respectively, totaling $15,165,669. These endowed net assets include: Operating funds investments of $2,413,635; Endowment funds investments of $9,139,359; and Catholic Foundation investments of $3,612,675.

The changes in endowment net assets for the year ending June 30, 2018 are as follows:

		Temporarily Restricted	Permanently Restricted	Total
Endowments, beginning of year	$	2,446,820	11,953,283	14,400,103
Donations		-	451,399	451,399
Investment return		684,673	-	684,673
Distribution of earnings (expenditures)		(370,506)	-	(370,506)
Endowments, end of year	$	2,760,987	12,404,682	15,165,669

SUPPLEMENTARY FINANCIAL INFORMATION

CATHOLIC DIOCESE OF ST. PETERSBURG
PASTORAL CENTER

Schedule of Financial Position Information by Fund

June 30, 2018

	Operating Funds	Savings and Loan Trust	Insurance / Benefits Trust	Cemetery Funds	(Emmaus) Catholic Foundation	Endowment Funds	Bethany Center	Elimination Entries		Total
Assets										
Cash and cash equivalents	$ 23,582,834	18,600,110	17,301,135	2,829,728	1,094,018	97,379	27,483	(43,391,869)	**(a)**	20,140,818
Investments	2,765,855	107,163,529	-	3,127,863	35,081,295	9,139,359	-	(7,767,489)	**(b)**	149,510,412
Insurance premiums receivable, net	-	-	786,900	-	-	-	-	-		786,900
Pledges receivable, net	1,385,469	-	-	-	30,083	-	-	-		1,415,552
Estates and trusts receivable	3,091,412	-	-	-	-	-	-	-		3,091,412
Loans receivable - parishes and schools, net	-	11,976,065	-	-	-	-	-	(75,793)	**(c)**	11,900,272
Prepaid expenses and other assets	226,142	-	458,813	111,116	298	-	100	-		796,469
Cemetery plots and other inventory	-	-	-	363,541	-	-	3,500	-		367,041
Notes and other receivables, net	1,527,838	7,451,517	10,688	1,245,073	-	-	5,333	(2,198,074)	**(c)**	8,042,375
Land, buildings and equipment, net	16,061,638	4	-	3,075,361	300,450	-	12,861,007	(1,246,104)	**(d)**	31,052,356
Due from other funds	1,440,073	-	908,223	1,222,569	-	-	-	(3,570,865)	**(b)**	-
Total assets	$ 50,081,261	145,191,225	19,465,759	11,975,251	36,506,144	9,236,738	12,897,423	(58,250,194)		227,103,607

(Continued)

CATHOLIC DIOCESE OF ST. PETERSBURG
PASTORAL CENTER

Schedule of Financial Position Information by Fund - Continued

Liabilities and Net Assets	Operating Funds	Savings and Loan Trust	Insurance / Benefits Trust	Cemetery Funds	(Emmaus) Catholic Foundation	Endowment Funds	Bethany Center	Elimination Entries		Total
Liabilities:										
Accounts payable, accrued expenses and other liabilities	$ 4,530,045	72,803	154,429	1,153,800	215,141	-	167,933	-		6,294,151
Deposits held in trust - parishes and schools	-	120,426,160	-	-	-	-	-	(43,391,869)	(a)	77,034,291
Deposits held in trust - Non-Diocesan entities	4,221	-	-	257,442	29,961,951	128,090	-	(7,767,489)	(b)	22,584,215
Estimated liability for insurance claims	-	-	4,876,610	-	-	-	-	-		4,876,610
Annuity obligations	-	-	-	-	878,286	-	-	-		878,286
Note payable	75,793	-	-	-	-	-	2,198,074	(2,273,867)	(c)	-
Due to other funds	-	2,775,459	-	-	34,339	110,819	650,248	(3,570,865)	(b)	-
Total liabilities	4,610,059	123,274,422	5,031,039	1,411,242	31,089,717	238,909	3,016,255	(57,004,090)		111,667,553
Net assets:										
Unrestricted:										
Undesignated	10,009,625	-	-	-	469,439	(105,467)	(131,517)	-		10,242,080
Invested in land, buildings and equipment	15,985,845	-	-	3,075,361	-	-	10,012,685	(1,246,104)	(d)	27,827,787
Designated for specific programs	7,920,066	21,916,803	14,434,720	7,488,648	-	-	-	-		51,760,237
Total unrestricted	33,915,536	21,916,803	14,434,720	10,564,009	469,439	(105,467)	9,881,168	(1,246,104)		89,830,104
Temporarily restricted	11,555,666	-	-	-	1,645,602	-	-	-		13,201,268
Permanently restricted	-	-	-	-	3,301,386	9,103,296	-	-		12,404,682
Total net assets	45,471,202	21,916,803	14,434,720	10,564,009	5,416,427	8,997,829	9,881,168	(1,246,104)		115,436,054
Total liabilities and net assets	$ 50,081,261	145,191,225	19,465,759	11,975,251	36,506,144	9,236,738	12,897,423	(58,250,194)		227,103,607

(a) Elimination of interdiocesan savings account
(b) Elimination of interdiocesan accounts
(c) Elimination of interdiocesan borrowings
(d) Elimination of interdiocesan property sale

CATHOLIC DIOCESE OF ST. PETERSBURG
PASTORAL CENTER

Schedule of Activities Information by Fund

For the Year Ended June 30, 2018

	Operating Funds	Savings and Loan Trust	Insurance / Benefits Trust	Cemetery Funds	(Emmaus) Catholic Foundation	Endowment Funds	Bethany Center	Elimination Entries		Total
Support and revenue:										
Support:										
Parish assessments and Annual Pastoral Appeal	$ 13,218,444	-	-	-	-	-	-	-		13,218,444
Contributions and bequests	757,635	-	-	-	1,055,936	-	291,932	(291,209)	**(a)**	1,814,294
Revenue:										
Insurance premium revenues	-	-	28,765,155	-	-	-	-	(1,656,107)	**(b)**	27,109,048
Investment return	1,202,211	7,573,637	250,479	263,373	237,793	1,448	258	(1,180,265)	**(c)**	8,348,934
Programs, sales and other revenue	2,522,662	740,765	-	2,586,624	352,991	-	1,211,123	(282,263)	**(c)**	7,131,902
Gains (losses) on sale of property and equipment	1,243,587	-	-	-	-	-	-	(1,246,104)	**(e)**	(2,517)
Change in value of split-interest agreements	-	-	-	-	(55,464)	-	-	-		(55,464)
Transfers from other funds	11,683,570	-	-	1,538,076	577,164	-	97,865	(13,896,675)	**(d)**	-
Total support and revenue	30,628,109	8,314,402	29,015,634	4,388,073	2,168,420	1,448	1,601,178	(18,552,623)		57,564,641
Expenses:										
Salaries and employee benefits	7,462,564	-	196,111	948,232	77,714	-	627,237	(1,290,665)	**(b)**	8,021,193
Grants, contributions and subsidies	4,448,465	-	-	2,500	393,844	-	-	(291,209)	**(a)**	4,553,600
Insurance claims	-	-	24,724,366	-	-	-	-	-		24,724,366
Interest on deposits	-	2,251,715	-	-	-	-	-	(1,180,265)	**(c)**	1,071,450
Interest on bank debt	2,138	-	-	165	-	-	-	-		2,303
Insurance premiums	161,518	-	3,502,885	85,625	2,142	-	116,158	(365,442)	**(b)**	3,502,886
Program and other expenses	5,274,874	465	1,209,207	791,070	203,321	-	626,829	(282,263)	**(c)**	7,823,503
Depreciation	547,862	-	-	128,435	230	-	752,889	-		1,429,416
Net provisions (recoveries) for loan and other losses	84,450	(892,235)	(91,481)	140,321	9,300	-	-	-	**(a)**	(749,645)
Transfers to other funds	10,383,809	230,000	594,804	1,788,077	637,163	262,822	-	(13,896,675)	**(d)**	-
Total expenses	28,365,680	1,589,945	30,135,892	3,884,425	1,323,714	262,822	2,123,113	(17,306,519)		50,379,072
Change in net assets	2,262,429	6,724,457	(1,120,258)	503,648	844,706	(261,374)	(521,935)	(1,246,104)		7,185,569
Net assets, beginning of year	43,208,773	15,192,346	15,554,978	10,060,361	4,571,721	9,259,203	10,403,103	-		108,250,485
Net assets, end of year	$ 45,471,202	21,916,803	14,434,720	10,564,009	5,416,427	8,997,829	9,881,168	(1,246,104)		115,436,054

(a) Elimination of interfund grants
(b) Elimination of interfund insurance premiums and expense
(c) Elimination of interfund savings interest, programs, professional and administrative fees
(d) Elimination of interfund transfers