

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Combined Financial Statements  
and  
Supplementary Financial Information**

**June 30, 2017 and 2016  
(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, 2017 and 2016, 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, 2017 and 2016, 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 22, 2017  
Tampa, Florida

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Combined Statements of Financial Position**

**June 30, 2017 and 2016**

<b>Assets</b>	<u><b>2017</b></u>	<u><b>2016</b></u>
Cash and cash equivalents	\$ 13,543,927	23,448,980
Investments:		
Held in trust for parishes and schools	70,126,444	66,751,227
Held for the Emmaus Foundation, Inc.	25,691,485	28,854,116
Held for other Diocesan entities	40,768,355	19,295,481
Insurance premiums receivable, net	442,736	628,664
Pledges receivable, net	1,623,906	1,543,787
Estates and trusts receivable	3,558,404	5,729,002
Loans receivable - parishes and schools, net	13,981,119	8,322,005
Prepaid expenses and other assets	854,041	1,170,294
Cemetery plots and other inventory	408,139	526,728
Notes and other receivables, net	8,284,086	10,996,727
Land, buildings and equipment, net	<u>31,669,544</u>	<u>32,972,343</u>
Total assets	<u>\$ 210,952,186</u>	<u>200,239,354</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 5,799,868	5,554,736
Deposits held in trust - parishes and schools	70,126,444	66,751,227
Deposits held in trust - other	21,488,632	20,416,471
Accrued insurance claims	4,385,734	4,000,132
Annuity obligations	901,023	934,643
Note payable - bank	<u>-</u>	<u>7,056,360</u>
Total liabilities	102,701,701	104,713,569
Net assets:		
Unrestricted:		
Undesignated	8,129,940	9,257,558
Invested in land, buildings and equipment, net	28,258,743	25,566,922
Designated for specific programs	<u>46,526,996</u>	<u>37,717,568</u>
Total unrestricted	82,915,679	72,542,048
Temporarily restricted	13,381,523	11,077,706
Permanently restricted	<u>11,953,283</u>	<u>11,906,031</u>
Total net assets	<u>108,250,485</u>	<u>95,525,785</u>
Total liabilities and net assets	<u>\$ 210,952,186</u>	<u>200,239,354</u>

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Combined Statements of Activities**

**For the Years Ended June 30, 2017 and 2016**

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Support:								
Parish assessments and Annual Pastoral Appeal	\$ 9,973,467	3,310,380	-	13,283,847	10,354,420	3,164,180	-	13,518,600
Contributions and bequests	362,673	1,913,440	47,252	2,323,365	666,810	700,148	716,111	2,080,069
Revenue:								
Insurance premium revenue	25,845,350	-	-	25,845,350	24,792,073	-	-	24,792,073
Investment return	9,096,039	852,404	-	9,948,443	253,329	(10,689)	-	242,640
Interest income on loans	636,197	-	-	636,197	666,393	-	-	666,393
Programs and sales	5,344,104	-	-	5,344,104	4,756,405	428,741	-	5,185,146
Gains (losses) on sale of property and equipment	3,258,385	-	-	3,258,385	12,205,591	-	-	12,205,591
Other revenues	292,001	-	-	292,001	235,166	-	-	235,166
Change in value of split-interest agreements	(74,193)	-	-	(74,193)	(50,812)	-	-	(50,812)
Net assets released from restrictions	3,772,407	(3,772,407)	-	-	3,118,681	(3,118,681)	-	-
Total support and revenue	<u>58,506,430</u>	<u>2,303,817</u>	<u>47,252</u>	<u>60,857,499</u>	<u>56,995,056</u>	<u>1,163,699</u>	<u>716,111</u>	<u>58,874,866</u>
Expenses:								
Program services:								
Ministries and apostolates	8,725,619	-	-	8,725,619	9,170,501	-	-	9,170,501
Catholic formation and education	5,389,323	-	-	5,389,323	4,675,610	-	-	4,675,610
Social services	1,135,310	-	-	1,135,310	1,409,169	-	-	1,409,169
Clergy development and religious	2,886,498	-	-	2,886,498	2,435,082	-	-	2,435,082
Parochial services	1,770,691	-	-	1,770,691	1,301,525	-	-	1,301,525
Insurance programs	24,434,870	-	-	24,434,870	24,664,692	-	-	24,664,692
Savings and loan program	1,399,841	-	-	1,399,841	5,556,035	-	-	5,556,035
Property administration	732,219	-	-	732,219	910,009	-	-	910,009
Stewardship	334,064	-	-	334,064	305,025	-	-	305,025
Total program services	<u>46,808,435</u>	<u>-</u>	<u>-</u>	<u>46,808,435</u>	<u>50,427,648</u>	<u>-</u>	<u>-</u>	<u>50,427,648</u>
Supporting services:								
Diocesan administration	1,324,364	-	-	1,324,364	1,410,031	-	-	1,410,031
Total expenses	<u>48,132,799</u>	<u>-</u>	<u>-</u>	<u>48,132,799</u>	<u>51,837,679</u>	<u>-</u>	<u>-</u>	<u>51,837,679</u>
Change in net assets	10,373,631	2,303,817	47,252	12,724,700	5,157,377	1,163,699	716,111	7,037,187
Net assets, beginning of year	<u>72,542,048</u>	<u>11,077,706</u>	<u>11,906,031</u>	<u>95,525,785</u>	<u>67,384,671</u>	<u>9,914,007</u>	<u>11,189,920</u>	<u>88,488,598</u>
Net assets, end of year	<u>\$ 82,915,679</u>	<u>13,381,523</u>	<u>11,953,283</u>	<u>108,250,485</u>	<u>72,542,048</u>	<u>11,077,706</u>	<u>11,906,031</u>	<u>95,525,785</u>

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

**CATHOLIC DIOCESE OF ST. PETERSBURG  
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**Combined Statements of Cash Flows**

**For the Years Ended June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Change in net assets	\$ 12,724,700	7,037,187
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for doubtful accounts, net of recoveries	136,488	341,540
Provision for insurance claims	830,035	742,801
Gains on sale of property and equipment	(3,258,385)	(12,205,591)
Amortization of discount on loans receivable	(27,999)	-
Depreciation expense	1,465,679	1,438,340
Net realized and unrealized (gains) losses on investments	(7,443,280)	2,775,603
Change in value of split-interest agreements	74,193	50,812
Contributions under annuity agreements	(4,731)	(17,232)
Changes in operating assets and liabilities:		
Insurance premiums receivable	185,606	(371,081)
Pledges receivable	(87,704)	(25,726)
Estates and trusts receivable	2,170,598	230,803
Other receivables	2,692,219	(3,399,660)
Prepaid expenses and other assets	316,253	28,193
Cemetery plots and other inventory	118,589	312,479
Accounts payable, accrued expenses and other liabilities	245,132	17,408
Accrued insurance claims	(444,433)	(305,198)
	<u>9,692,960</u>	<u>(3,349,322)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	51,262,439	43,606,066
Purchases of investments	(64,676,798)	(46,086,130)
Collections on loans receivable	4,379,828	12,046,417
Loans to Diocesan entities - parishes and schools	(10,132,102)	(9,345,438)
Decrease (increase) in notes and other receivables	13,000	(121,489)
Purchases of land, buildings, and equipment	(419,840)	(578,697)
Proceeds from sales of land, buildings and equipment	3,515,345	12,897,462
Net change in deposits held in trust	3,619,557	2,400,529
	<u>(12,438,571)</u>	<u>14,818,720</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Assets received under charitable gift annuity agreements	10,000	35,000
Payments to donor annuitants	(113,082)	(113,782)
Payments on note payable - bank	(7,056,360)	(549,996)
	<u>(7,159,442)</u>	<u>(628,778)</u>
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	(9,905,053)	10,840,620
Cash and cash equivalents, beginning of year	<u>23,448,980</u>	<u>12,608,360</u>
Cash and cash equivalents, end of year	<u>\$ 13,543,927</u>	<u>23,448,980</u>
Noncash activities:		
Increase in value of deposits held in trust - Non-Diocesan entities	<u>\$ 827,821</u>	<u>(546,922)</u>

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

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements**

**June 30, 2017 and 2016**

**(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 West Central Florida. The Pastoral Center of the Diocese of St. Petersburg (the “Pastoral Center”) consists of the Office of Bishop and his supporting staff, who minister to parishes, schools and other institutions in the five-county area of West Central Florida. The Pastoral Center’s accounts do not include the assets, liabilities, net assets or activities of parishes, missions, 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. (Catholic Charities), and low-income housing units, among others. The Pastoral Center does include the assets, liabilities, net assets, and activities of the pastoral programs, summarized below, that are under the direct administrative authority of the Pastoral Center.

Certain ministries and programs within the Diocese are separately incorporated as non-profit corporations under the laws of the State of Florida.

The assets and liabilities of the savings and loan program and the insurance programs are held respectively by the Savings and Loan Trust of the Diocese of St. Petersburg (Savings and Loan Trust), and the Insurance and Employee Benefit Trust of the Diocese of St. Petersburg (Insurance and Employee Benefit Trust). Both trusts are administered by their respective Board of Trustees.

The Pastoral Center receives from and provides substantial financial support to approximately 120 parishes and schools in the five-county area of the Diocese. In addition, under Church Law, subject to certain specific restrictions, the Bishop is responsible for the administration of all Diocesan assets, for the purpose of fulfilling the ministerial purposes of the Catholic Church in the Diocese.

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”).



**CATHOLIC DIOCESE OF ST. PETERSBURG  
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**Notes to Combined Financial Statements - Continued**

**(1) Nature of Operations and Basis for Presentation - Continued**

*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.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
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**Notes to Combined Financial Statements - Continued**

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

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

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. 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.

**(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.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

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

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

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.

**(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.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
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**Notes to Combined Financial Statements - Continued**

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

**(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.

**(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, 2017 and 2016.

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.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
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**Notes to Combined Financial Statements - Continued**

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

**(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.

Fair value of investments measured on a recurring basis at June 30, 2017 and 2016 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>June 30, 2017:</i>				
Mutual funds	\$ 85,556,825	-	-	85,556,825
Marketable equity securities	7,390,800	-	-	7,390,800
Bonds and other income securities	421,815	13,857,975	-	14,279,790
Alternative investments	-	20,220,185	-	20,220,185
Short-term investments	9,138,684	-	-	9,138,684
	<u>\$ 102,508,124</u>	<u>34,078,160</u>	<u>-</u>	<u>136,586,284</u>
<i>June 30, 2016:</i>				
Mutual funds	\$ 64,511,264	-	-	64,511,264
Marketable equity securities	6,559,044	-	-	6,559,044
Bonds and other income securities	-	8,687,733	-	8,687,733
Alternative investments	-	26,478,522	-	26,478,522
Short-term investments	8,664,261	-	-	8,664,261
	<u>\$ 79,734,569</u>	<u>35,166,255</u>	<u>-</u>	<u>114,900,824</u>

**CATHOLIC DIOCESE OF ST. PETERSBURG  
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**Notes to Combined Financial Statements - Continued**

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

**(l) Other Fair Value Measurements**

At June 30, 2017 and 2016, 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.

*Loans Receivable:* Except for non-interest-bearing loans in the amount of \$714,488 and \$850,237 at June 30, 2017 and 2016, 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 \$5,265,443 and \$5,278,443 at June 30, 2017 and 2016, 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.

*Lines of Credit-Bank and Note Payable-Bank:* The fair value of the Pastoral Center's debt approximates carrying value because the debt is at rates currently offered to the Pastoral Center for similar debt instruments of comparable maturities by the Pastoral Center's bankers.

**(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.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

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

**(m) Endowments - Continued**

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.

**(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, 2017 and 2016 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.

Grants, contributions and subsidy contributions are expensed and recorded as a pledge payable when granted or pledged.

**(p) Reclassifications**

Certain amounts appearing in the 2016 combined financial statements have been reclassified to conform to the presentation in 2017.

**(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.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

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

**(q) Income Taxes - Continued**

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, 2017 or 2016.

**(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.

**(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, 2017 combined financial statements for subsequent events through November 22, 2017, 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, except as disclosed in Note 10.



**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(3) Investments**

Investments at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Mutual funds:				
Large Cap Growth Equity	\$ 24,812,251	21,510,420	11,928,981	9,976,847
Small Cap Value Equity	1,024,303	976,647	1,215,681	1,285,494
Domestic Fixed Income	33,119,394	29,383,968	31,041,063	27,080,585
Global Balanced / TAA	10,109,297	10,095,693	7,910,172	8,484,951
International Equity	16,491,580	15,131,675	12,415,367	13,363,717
Marketable equity securities:				
Domestic - Small Cap Value	7,390,800	6,547,168	6,559,044	5,546,387
Bonds and other income securities:				
US Government obligations	12,460,624	12,534,949	7,767,578	7,595,112
Corporate bonds	1,397,351	1,398,114	920,155	902,387
Aggregate bond index	421,815	471,864	-	-
Alternative investments:				
Passive S&P 500 Equity	20,220,185	12,286,650	26,478,522	19,416,437
Short-term investments:				
Prime Obligations Institutional FFS	9,138,684	9,141,599	8,664,261	8,664,239
	<u>\$ 136,586,284</u>	<u>119,478,747</u>	<u>114,900,824</u>	<u>102,316,156</u>

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

Investments at June 30, 2017 and 2016 are held for the following funds/activities:

	<u>2017</u>	<u>2016</u>
Savings and Loan Fund Trust	\$ 96,859,029	77,007,935
Emmaus Foundation, Inc.	25,691,485	24,813,295
Endowed Funds	11,360,967	10,656,620
Cemetery Funds	2,674,803	2,422,974
Total investments	<u>\$ 136,586,284</u>	<u>114,900,824</u>
Including:		
Held in Trust for Parishes and Schools	\$ 70,126,444	66,751,227
Held in Trust for the Catholic Foundation and other Funds	21,488,632	20,416,471
Total investments held in trust	<u>\$ 91,615,076</u>	<u>87,167,698</u>

Included in the Savings and Loan Fund Trust investments above are investments of \$1,687,033 and \$1,679,011 at June 30, 2017 and 2016, respectively, which are pledged as collateral for self-insurance of workers compensation claims (see Note 6).

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(3) Investments - Continued**

The components of net investment return, net for the years ended June 30, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Interest and dividend income	\$ 2,675,119	3,212,926
Net realized and unrealized gains (losses)	7,443,280	(2,775,603)
Management fees	(169,956)	(194,683)
Total investment return, net	\$ 9,948,443	242,640

**(4) Pledges Receivable**

Pledges receivable from participating parishes and other entities at June 30, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Pledges receivable	\$ 1,623,906	1,624,252
Less allowance for doubtful pledges	-	(80,465)
Net pledges receivable	\$ 1,623,906	1,543,787

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:

	<b>Amount</b>
Balance at June 30, 2015	\$ 76,875
Provision for doubtful accounts	3,590
Balance at June 30, 2016	80,465
Provision for doubtful accounts	7,585
Writeoffs	(88,050)
Balance at June 30, 2017	\$ -

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

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

Loans receivable from Diocesan entities at June 30, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Parishes and parochial schools	\$ 21,449,195	15,524,361
High schools	500,217	1,086,910
	21,949,412	16,611,271
Less discount on non-interest bearing loans	(73,218)	(101,217)
Less allowance for doubtful loans	(7,895,075)	(8,188,049)
Loans receivable, net	\$ 13,981,119	8,322,005

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, 2017 and 2016, except for loans of \$714,488 and \$850,237 outstanding as of June 30, 2017 and 2016, respectively, which are non-interest bearing.

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

	<b>Amount</b>
Balance at June 30, 2015	\$ 8,298,663
Provision for doubtful accounts	397,307
Recoveries	(339,451)
Write-offs	(168,470)
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

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(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 \$4,385,734 and \$4,000,132 at June 30, 2017 and 2016, respectively, represent adequate provision for unpaid losses which have been incurred, but may not be reported, as of June 30, 2017 and 2016.

Insurance premiums receivable from participating entities at June 30, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Insurance premiums receivable	\$ 1,188,455	1,441,128
Less allowance for doubtful accounts	(745,719)	(812,464)
Net insurance premiums receivable	\$ 442,736	628,664

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

	<b>Amount</b>
Balance at June 30, 2015	\$ 751,008
Provision for doubtful accounts	61,456
Write-offs	-
Balance at June 30, 2016	812,464
Provision for doubtful accounts	322
Write-offs	(67,067)
Balance at June 30, 2017	\$ 745,719

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(7) Notes and Other Receivables**

Notes and other receivables are as follows:

	<b>2017</b>	<b>2016</b>
Land purchase receivables	\$ 5,265,443	5,278,443
Ministry and program trade receivables	784,376	862,640
Parish assessment receivables	1,152,796	1,090,878
Stop-loss recoveries and other insurance receivable	768,799	223,575
Other	1,656,528	4,943,373
	9,627,942	12,398,909
Less allowance for doubtful accounts	(1,343,856)	(1,402,182)
Notes and other receivables, net	\$ 8,284,086	10,996,727

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

	<b>Amount</b>
Balance at June 30, 2015	\$ 1,183,544
Provision for doubtful accounts	218,638
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

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.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

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

Land, buildings and equipment consist of the following at June 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>	<b>Useful Life</b>
Buildings and improvements	\$ 32,005,779	32,209,672	15-30 years
Construction-in-progress	63,432	5,515	-
Computer equipment	970,375	1,331,053	3-10 years
Furniture and fixtures	2,931,070	2,746,531	3-10 years
Vehicles	377,181	311,133	5 years
	36,347,837	36,603,904	
Less accumulated depreciation	(17,735,699)	(16,615,088)	
	18,612,138	19,988,816	
Land	13,057,406	12,983,527	
	\$ 31,669,544	32,972,343	

In May 2016, the Diocese and the State of Florida Department of Transportation (the "State") reached a settlement agreement whereby the State would acquire a portion of the Diocese cemetery land adjacent to 118th Avenue in Pinellas Park, Florida. The Diocese received \$12,750,000 for the land taken by the State. Of this amount, \$9,426,000 was paid to the Diocese in June 2016 with the balance of \$3,324,000 paid in July 2016. The Diocese recognized a gain on this transaction of approximately \$12.1 million in fiscal 2016.

**(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, 2017 and 2016 totaling \$49,061 and \$7,467, respectively. The cost and accumulated amortization of the leased assets as of June 30, 2017 were \$148,138 and \$140,105, respectively. The cost and accumulated amortization of the leased assets as of June 30, 2016 were \$157,038 and \$125,195, respectively. Future minimum lease payments due under these leases are nominal in amount and expire over various dates through November 2019.

The Pastoral Center leases equipment, office and residential space during the course of operations under operating leases. Rent expense for these leases was \$187,560 and \$240,773 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, rent expense for the lease was \$92,696 and \$84,804, respectively.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(10) Bank Debt**

The Pastoral Center has a term loan and an unsecured line of credit subject to a notification agreement, all with the same bank. The term loan balance was \$7,056,360 as of June 30, 2016 payable in monthly installments of \$45,833, plus interest at LIBOR plus 1.57% through July 2018. The Pastoral Center paid the loan in full effective October 2016.

The unsecured line of credit is for working capital needs up to \$10,000,000 and the balance drawn was \$0 at June 30, 2017 and 2016. The line matured April 30, 2017 and was renewed through July 31, 2017. The line of credit bears interest at a rate of LIBOR plus 1.47% (2.69% at June 30, 2017). Subsequent to June 30, 2017, the line of credit was renewed through June 30, 2018.

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, 2017 and 2016, the Pastoral Center was in compliance with this covenant.

Interest paid on the term loan and lines of credit during the years ended June 30, 2017 and 2016 was \$56,665 and \$139,251, 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, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
A Catholic Corporation	\$ 10,890,945	10,335,581
School endowments	7,877,411	7,623,008
Other Diocesan entities	13,584	13,072
St. Cecelia Catholic Church Foundation	2,576,484	2,314,598
Other entities	130,208	130,212
Total	\$ 21,488,632	20,416,471

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(12) Designated for Specific Programs**

Net assets designated for specific programs at June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Cemetery Corporations:		
Operations	\$ 3,688,996	3,456,087
Contingency care	1,954,974	1,302,226
Perpetual care	2,674,804	2,767,229
Insurance/employee benefit trust	15,554,978	13,677,745
Annual Pastoral Appeal	6,721,967	6,644,174
Savings and Loan Trust	15,192,346	9,206,058
Communications	741	741
Good Counsel Camp	738,190	663,308
	<u>                    </u>	<u>                    </u>
Total	\$ <u>46,526,996</u>	<u>37,717,568</u>

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

Temporarily restricted net assets available for future periods or particular purposes at June 30, 2017 and 2016, by major ministry category, were as follows:

	<u>2017</u>	<u>2016</u>
Purpose restrictions:		
Catholic formation and education	\$ 3,001,026	2,156,216
Assistance to the needy	166,091	181,759
Clergy and seminarian support	3,715,315	3,062,309
Communications	97,866	100,280
Other ministries	1,115,262	635,013
	<u>                    </u>	<u>                    </u>
	8,095,560	6,135,577
Time restrictions:		
Assistance to the needy	2,728,481	2,441,438
Annual Pastoral Appeal	1,621,756	1,536,196
Charitable gift annuities	571,961	606,886
Land held for sale	240,000	240,000
Capital campaign	123,765	117,609
	<u>                    </u>	<u>                    </u>
Total temporarily restricted	\$ <u>13,381,523</u>	<u>11,077,706</u>



**CATHOLIC DIOCESE OF ST. PETERSBURG  
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**Notes to Combined Financial Statements - Continued**

**(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:

	<b>2017</b>	<b>2016</b>
Catholic formation and education	\$ 5,596,931	5,550,679
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	150,328	149,328
Total permanently restricted	\$ 11,953,283	11,906,031

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, 2017 and 2016. At June 30, 2017 and 2016, annuity obligations totaled \$901,023 and \$934,643, 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.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(15) Expenses**

Expenses by natural classification were as follows for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Salaries	\$ 6,687,511	6,404,315
Employee benefits, less intradiocesan insurance premiums of \$1,164,554 and \$1,310,056	1,243,750	1,355,584
Grants, contributions and subsidies to Diocesan entities	2,969,721	7,485,319
Grants to Diocesan School Corporations (Note 18)	2,622,795	1,364,137
Programs/conferences sponsored/clergy support	2,243,432	2,797,808
Professional fees	2,475,141	2,634,900
Travel, meetings, and education	435,402	375,302
Depreciation	1,465,679	1,438,340
Property maintenance and taxes	269,936	267,474
Utilities and telephone	380,054	418,750
Assessments and quotas	517,215	432,753
Building/equipment maintenance	653,203	577,006
Supplies	167,932	113,175
Postage	116,516	91,100
Dues and periodicals	88,732	86,069
Stipends and contract labor	58,945	74,603
Rent	187,560	240,773
Cost of sales and other related expenses	585,138	739,272
Advertising	80,387	69,471
Other	5,011	46,434
	<u>23,254,060</u>	<u>27,012,585</u>
Insurance claims:		
Health plan	17,801,538	18,700,599
Property, liability and other	2,680,215	1,492,132
Insurance premiums, paid to independent entities	3,173,549	3,103,800
Interest paid to independent entities on deposits held	1,024,424	995,611
Interest on bank debt and capitalized leases	62,525	159,194
Net provisions for loan and other losses	136,488	373,758
	<u>48,132,799</u>	<u>51,837,679</u>
Total expenses	\$ <u>48,132,799</u>	<u>51,837,679</u>

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(16) Commitments and Contingencies**

**(a) Grants and Pledges Payable**

Grants and pledges payable are included in accounts payable, accrued expenses and other liabilities. As of June 30, 2017 and 2016, the Pastoral Center had other pledges payable of \$0 and \$75,000, respectively, which are pledged to various Catholic ministries outside the Diocese of St. Petersburg.

**(b) 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, 2017 and 2016 under this line of credit, was \$19,280,981 and \$19,408,087, respectively. The Diocese has not experienced any losses on these borrowings for the years ended June 30, 2017 and 2016. If all entities had borrowed the full amount available to them as of June 30, 2017, the amount outstanding under the borrowings as of that date would have been \$22,801,206.

**(c) 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 bears a 3.20% fixed rate, is 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, 2017 and 2016 were \$171,346 and \$331,082, 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.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(16) Commitments and Contingencies - Continued**

**(c) Guarantees - Continued**

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, 2017 and 2016 was \$215,000 and \$252,000, 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.

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 WZD, 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 (4.42% at June 30, 2017), 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, 2017 was \$4,976,657, which is not reflected in these combined financial statements. The guarantee is for 49% of the outstanding balance or \$2,438,562 as of June 30, 2017 with the remainder guaranteed by an unrelated party. The construction loan is secured by the underlying property, maintained by NSHF Tampa, Inc. 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.

**(d) 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, 2017 and 2016.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(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, 2017 and 2016 was \$730,426 and \$729,581, respectively.

Total contributions to the Plan by all participating entities were approximately \$8.6 million and \$8 million for the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017, the most recent actuarial valuation, the accumulated Plan benefits and the assets available for such benefit are as follows:

	<b>Amount</b>
Vested benefits:	
Participants currently receiving payments	\$ 115,432,963
Terminated vested participants	28,776,105
Other participants	60,528,523
	204,737,591
Nonvested benefits	3,578,150
Total actuarial present value of accumulated plan benefits	\$ 208,315,741
Net assets available for plan benefits	\$ 189,871,878

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 2017 and 2016.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(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, 2017 and 2016, the Diocese provided operating subsidies to the Regional Seminary of St. Vincent de Paul, Inc. in Florida in the amounts of \$108,457 and \$122,265, respectively, and to the Florida Catholic Conference in the amounts of \$145,989 and \$104,268, respectively.

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, 2017 the Diocese has received an advance in the amount of \$1,312,856 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 2018. The advance was included in accounts payable, accrued expenses, and other liabilities. As of June 30, 2016, the Diocese had received an advance from Catholic Formation, Inc. in the amount of \$1,277,253 representing partial funding of parish-share grants that were disbursed by the Diocese in January 2017. 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 \$1,688,624 and \$1,627,984, for the years ended June 30, 2017 and 2016, respectively. The related subsidy expense for 2017 and 2016 was \$768,357 and \$1,364,137, 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 on the campus of the University of South Florida in Tampa, Florida. It was inactive throughout 2016. During 2017, the Diocese advanced \$1,715,000 to DOSP USF Housing, Inc. as initial funding of this entity.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(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.

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 predictable 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, 2017 endowed net assets are comprised of \$2,446,820 and \$11,953,283 of temporarily restricted funds and permanently restricted funds, respectively, totaling \$14,400,103. These endowed net assets include: Operating funds investments of \$2,090,332, Endowment funds investments of \$9,140,622, Catholic Foundation investments of \$3,074,117 and cash equivalents of \$95,032.

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Notes to Combined Financial Statements - Continued**

**(19) Endowments - Continued**

The changes in endowment net assets for the year ending June 30, 2017 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowments, beginning of year	\$ 1,703,669	11,906,031	13,609,700
Donations	-	47,252	47,252
Investment return	1,450,851	-	1,450,851
Distribution of earnings (expenditures)	<u>(707,700)</u>	<u>-</u>	<u>(707,700)</u>
Endowments, end of year	<u>\$ 2,446,820</u>	<u>11,953,283</u>	<u>14,400,103</u>



**SUPPLEMENTARY FINANCIAL INFORMATION**

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Schedule of Financial Position Information by Fund**

**June 30, 2017**

	<u>Operating Funds</u>	<u>Savings and Loan Trust</u>	<u>Insurance / Benefits Trust</u>	<u>Cemetery Funds</u>	<u>(Emmaus) Catholic Foundation</u>	<u>Endowment Funds</u>	<u>Bethany Center</u>	<u>Elimination Entries</u>	<u>Total</u>
<b>Assets</b>									
Cash and cash equivalents	\$ 21,582,451	12,706,006	17,080,612	4,512,838	520,179	95,930	13,607	(42,967,696) (a)	13,543,927
Investments	2,220,345	96,859,029	-	2,674,803	33,215,510	9,140,622	-	(7,524,025) (b)	136,586,284
Insurance premiums receivable, net	-	-	442,736	-	-	-	-	-	442,736
Pledges receivable, net	1,621,756	-	-	-	2,150	-	-	-	1,623,906
Estates and trusts receivable	3,558,404	-	-	-	-	-	-	-	3,558,404
Loans receivable - parishes and schools, net	-	14,062,284	-	-	-	-	-	(81,165) (c)	13,981,119
Prepaid expenses and other assets	121,361	-	575,517	87,154	69,909	-	100	-	854,041
Cemetery plots and other inventory	-	-	-	404,639	-	-	3,500	-	408,139
Notes and other receivables, net	1,159,420	7,463,517	768,799	1,079,752	-	-	10,672	(2,198,074) (c)	8,284,086
Land, buildings and equipment, net	16,121,323	-	-	1,741,587	300,680	-	13,505,954	-	31,669,544
Due from other funds	1,075,334	-	1,460,966	743,459	75,676	152,003	-	(3,507,438) (b)	-
<b>Total assets</b>	<u>\$ 47,460,394</u>	<u>131,090,836</u>	<u>20,328,630</u>	<u>11,244,232</u>	<u>34,184,104</u>	<u>9,388,555</u>	<u>13,533,833</u>	<u>(56,278,398)</u>	<u>210,952,186</u>

(Continued)

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Schedule of Financial Position Information by Fund - Continued**

<b>Liabilities and Net Assets</b>	<b>Operating Funds</b>	<b>Savings and Loan Trust</b>	<b>Insurance / Benefits Trust</b>	<b>Cemetery Funds</b>	<b>(Emmaus) Catholic Foundation</b>	<b>Endowment Funds</b>	<b>Bethany Center</b>	<b>Elimination Entries</b>	<b>Total</b>
<b>Liabilities:</b>									
Accounts payable, accrued expenses and other liabilities	\$ 4,169,601	128,474	387,918	924,856	87,925	-	101,094	-	5,799,868
Deposits held in trust - parishes and schools	-	113,094,140	-	-	-	-	-	(42,967,696) (a)	70,126,444
Deposits held in trust - Non-Diocesan entities	855	-	-	259,015	28,623,435	129,352	-	(7,524,025) (b)	21,488,632
Accrued insurance claims	-	-	4,385,734	-	-	-	-	-	4,385,734
Annuity obligations	-	-	-	-	901,023	-	-	-	901,023
Note payable	81,165	-	-	-	-	-	2,198,074	(2,279,239) (c)	-
Due to other funds	-	2,675,876	-	-	-	-	831,562	(3,507,438) (b)	-
<b>Total liabilities</b>	<b>4,251,621</b>	<b>115,898,490</b>	<b>4,773,652</b>	<b>1,183,871</b>	<b>29,612,383</b>	<b>129,352</b>	<b>3,130,730</b>	<b>(56,278,398)</b>	<b>102,701,701</b>
<b>Net assets:</b>									
<b>Unrestricted:</b>									
Undesignated	7,880,468	-	-	-	322,687	-	(73,215)	-	8,129,940
Invested in land, buildings and equipment	16,040,158	-	-	1,741,587	680	-	10,476,318	-	28,258,743
Designated for specific programs	7,460,898	15,192,346	15,554,978	8,318,774	-	-	-	-	46,526,996
<b>Total unrestricted</b>	<b>31,381,524</b>	<b>15,192,346</b>	<b>15,554,978</b>	<b>10,060,361</b>	<b>323,367</b>	<b>-</b>	<b>10,403,103</b>	<b>-</b>	<b>82,915,679</b>
Temporarily restricted	11,827,249	-	-	-	1,398,367	155,907	-	-	13,381,523
Permanently restricted	-	-	-	-	2,849,987	9,103,296	-	-	11,953,283
<b>Total net assets</b>	<b>43,208,773</b>	<b>15,192,346</b>	<b>15,554,978</b>	<b>10,060,361</b>	<b>4,571,721</b>	<b>9,259,203</b>	<b>10,403,103</b>	<b>-</b>	<b>108,250,485</b>
<b>Total liabilities and net assets</b>	<b>\$ 47,460,394</b>	<b>131,090,836</b>	<b>20,328,630</b>	<b>11,244,232</b>	<b>34,184,104</b>	<b>9,388,555</b>	<b>13,533,833</b>	<b>(56,278,398)</b>	<b>210,952,186</b>

(a) Elimination of interdiocesan savings account

(b) Elimination of interdiocesan accounts

(c) Elimination of interdiocesan borrowings

**CATHOLIC DIOCESE OF ST. PETERSBURG  
PASTORAL CENTER**

**Schedule of Activities Information by Fund**

**For the Year Ended June 30, 2017**

	<u>Operating Funds</u>	<u>Savings and Loan Trust</u>	<u>Insurance / Benefits Trust</u>	<u>Cemetery Funds</u>	<u>(Emmaus) Catholic Foundation</u>	<u>Endowment Funds</u>	<u>Bethany Center</u>	<u>Elimination Entries</u>	<u>Total</u>
Support and revenue:									
Support:									
Parish assessments and Annual Pastoral Appeal	\$ 13,283,847	-	-	-	-	-	-	-	13,283,847
Contributions and bequests	1,523,786	-	-	9,915	789,499	-	4,249,046	(4,248,881) (a)	2,323,365
Revenue:									
Insurance premium revenues	-	-	27,391,147	-	-	-	-	(1,545,797) (b)	25,845,350
Investment return	1,457,503	8,127,949	246,110	334,149	413,704	1,427	253	(632,652) (c)	9,948,443
Programs, sales and other revenue	2,066,704	636,197	-	2,283,087	252,277	-	1,289,225	(255,188) (c)	6,272,302
Gains (losses) on sale of property and equipment	3,069,491	-	-	190,045	-	-	(1,151)	-	3,258,385
Change in value of split-interest agreements	-	-	-	-	(74,193)	-	-	-	(74,193)
Transfers from other funds	13,413,356	-	-	229,406	715,881	261,958	95,517	(14,716,118) (d)	-
Total support and revenue	34,814,687	8,764,146	27,637,257	3,046,602	2,097,168	263,385	5,632,890	(21,398,636)	60,857,499
Expenses:									
Salaries and employee benefits	7,228,845	-	-	1,002,627	233,780	-	630,563	(1,164,554) (b)	7,931,261
Grants, contributions and subsidies	8,679,026	-	-	-	444,466	-	-	(3,530,976) (a)	5,592,516
Insurance claims	-	-	20,481,753	-	-	-	-	-	20,481,753
Interest on deposits	-	1,657,076	-	-	-	-	-	(632,652) (c)	1,024,424
Interest on bank debt	5,611	56,665	-	249	-	-	-	-	62,525
Insurance premiums	174,190	-	3,173,549	85,438	2,032	-	119,583	(381,243) (b)	3,173,549
Program and other expenses	5,629,336	53	1,524,120	659,367	175,218	-	531,698	(255,188) (c)	8,264,604
Depreciation	586,148	-	-	133,415	230	-	745,886	-	1,465,679
Net provisions (recoveries) for loan and other losses	(10,051)	839,064	322	17,473	7,585	-	-	(717,905) (a)	136,488
Transfers to other funds	11,972,092	225,000	580,280	479,407	715,881	743,458	-	(14,716,118) (d)	-
Total expenses	34,265,197	2,777,858	25,760,024	2,377,976	1,579,192	743,458	2,027,730	(21,398,636)	48,132,799
Change in net assets	549,490	5,986,288	1,877,233	668,626	517,976	(480,073)	3,605,160	-	12,724,700
Net assets, beginning of year	42,659,283	9,206,058	13,677,745	9,391,735	4,053,745	9,739,276	6,797,943	-	95,525,785
Net assets, end 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

- (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