

# Episcopal Church in the Diocese of Florida, Inc.

## CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018



**CRI** CARR  
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**Episcopal Church in the Diocese of Florida, Inc.**  
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## **INDEPENDENT AUDITORS' REPORT**

To Diocesan Council  
Episcopal Church in the Diocese of Florida, Inc.

We have audited the accompanying consolidated financial statements of Episcopal Church in the Diocese of Florida, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## **Opinion**

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

## **Emphasis of Matter – Prior Period Adjustment**

As described in Note 15, the Diocese's financial statement for the year ended December 31, 2018 was restated for the correction of misstatements related to payments previously received to be used for proceeds on sale of property in 2019, investments held not previously recorded and conversion of a lease to a note payable for purchase of a vehicle. Our opinion on the financial statements is not modified with respect to this matter.

*Carr, Riggs & Ingram, L.L.C.*

Jacksonville, Florida

January 18, 2023

**Episcopal Church in the Diocese of Florida, Inc.**  
**Consolidated Statements of Financial Position**

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 200,325	\$ 259,349
Investments	6,887,567	6,252,221
Accounts receivable	9,609	1,270
Pledges receivable, current	1,027,370	986,771
Notes receivable, current	110,849	360,604
Prepays and other	47,533	59,398
<b>Total current assets</b>	<b>8,283,253</b>	<b>7,919,613</b>
Non-current assets		
Pledges receivable, net, due after one year	1,089,669	1,595,489
Notes receivable, due after one year	2,858,135	692,722
Property and equipment, net	7,962,943	9,279,631
Other assets	70,875	89,775
<b>Total non-current assets</b>	<b>11,981,622</b>	<b>11,657,617</b>
<b>Total assets</b>	<b>\$ 20,264,875</b>	<b>\$ 19,577,230</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 333,979	\$ 464,731
Deposits	85,604	195,401
Notes payable, current	95,246	91,272
<b>Total current liabilities</b>	<b>514,829</b>	<b>751,404</b>
Long-term liabilities		
Notes payable, long-term	479,909	576,350
Accrued postretirement benefit obligation	1,765,603	1,647,184
<b>Total long-term liabilities</b>	<b>2,245,512</b>	<b>2,223,534</b>
<b>Total liabilities</b>	<b>2,760,341</b>	<b>2,974,938</b>
Net assets		
Without donor restrictions	13,201,170	13,444,770
With donor restrictions	4,303,364	3,157,522
<b>Total net assets</b>	<b>17,504,534</b>	<b>16,602,292</b>
<b>Total liabilities and net assets</b>	<b>\$ 20,264,875</b>	<b>\$ 19,577,230</b>

*The accompanying notes are an integral part of these financial statements.*

**Episcopal Church in the Diocese of Florida, Inc.**  
**Consolidated Statements of Activities**

*For the year ended December 31, 2019*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Other Support</b>			
Contributions	\$ 2,288,959	\$ 407,432	\$ 2,696,391
Camp and Conference Center	1,024,041	-	1,024,041
Investment income, net of fees	96,572	1,081,115	1,177,687
Rent income	204,527	-	204,527
Other income	253,423	-	253,423
Gain on sale of property	1,104,210	-	1,104,210
Net assets released from restrictions	342,705	(342,705)	-
<b>Total revenue and other support</b>	<b>5,314,437</b>	<b>1,145,842</b>	<b>6,460,279</b>
<b>Expenses</b>			
<i>Program services</i>			
Diocesan Title, Outreach and Giving	589,261	-	589,261
Youth and College Ministry	464,571	-	464,571
Congregational Development	427,512	-	427,512
Episcopate	521,647	-	521,647
Diocesan Programs and Ministries	411,419	-	411,419
Camp and Conference Center	1,596,399	-	1,596,399
<b>Total program services</b>	<b>4,010,809</b>	<b>-</b>	<b>4,010,809</b>
<i>Supporting services</i>			
General and administrative	1,165,423	-	1,165,423
Fundraising	381,805	-	381,805
<b>Total supporting services</b>	<b>1,547,228</b>	<b>-</b>	<b>1,547,228</b>
<b>Total expenses</b>	<b>5,558,037</b>	<b>-</b>	<b>5,558,037</b>
Change in Net Assets	(243,600)	1,145,842	902,242
Net assets at beginning of year	13,444,770	3,157,522	16,602,292
<b>Net assets at end of year</b>	<b>\$ 13,201,170</b>	<b>\$ 4,303,364</b>	<b>\$ 17,504,534</b>

*The accompanying notes are an integral part of these financial statements.*

**Episcopal Church in the Diocese of Florida, Inc.**  
**Consolidated Statements of Activities**

*For the year ended December 31, 2018*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Other Support</b>			
Contributions	\$ 2,250,265	\$ 43,981	\$ 2,294,246
Camp and Conference Center	970,400	-	970,400
Investment loss, net of fees	(448,646)	(38,040)	(486,686)
Rent income	279,472	-	279,472
Other income	256,434	-	256,434
Loss on sale of property	(25,799)	-	(25,799)
Net assets released from restrictions	44,490	(44,490)	-
<b>Total revenue and other support</b>	<b>3,326,616</b>	<b>(38,549)</b>	<b>3,288,067</b>
<b>Expenses</b>			
<i>Program services</i>			
Diocesan Title, Outreach and Giving	721,952	-	721,952
Youth and College Ministry	436,417	-	436,417
Congregational Development	547,298	-	547,298
Episcopate	517,912	-	517,912
Diocesan Programs and Ministries	501,384	-	501,384
Camp and Conference Center	1,615,377	-	1,615,377
<b>Total program services</b>	<b>4,340,340</b>	<b>-</b>	<b>4,340,340</b>
<i>Supporting services</i>			
General and administrative	1,147,897	-	1,147,897
Fundraising	337,001	-	337,001
<b>Total supporting services</b>	<b>1,484,898</b>	<b>-</b>	<b>1,484,898</b>
<b>Total expenses</b>	<b>5,825,238</b>	<b>-</b>	<b>5,825,238</b>
<b>Change in Net Assets</b>	<b>(2,498,622)</b>	<b>(38,549)</b>	<b>(2,537,171)</b>
<b>Net assets at beginning of year, as restated</b>	<b>15,943,392</b>	<b>3,196,071</b>	<b>19,139,463</b>
<b>Net assets at end of year</b>	<b>\$ 13,444,770</b>	<b>\$ 3,157,522</b>	<b>\$ 16,602,292</b>

*The accompanying notes are an integral part of these financial statements.*

**Episcopal Church in the Diocese of Florida, Inc.**  
**Consolidated Statements of Functional Expenses**

	Program Services						Supporting Services				
	Diocesan Title, Outreach and Giving	Youth and College Ministry	Congregational Development	Episcopate	Diocesan Programs and Ministries	Camp and Conference Center	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
<i>For the year ended December 31, 2019</i>											
Salaries and benefits	\$ 129,758	\$ 326,272	\$ 225,640	\$ 402,360	\$ 345,393	\$ 529,033	\$ 1,958,456	\$ 394,335	\$ 305,741	\$ 700,076	\$ 2,658,532
Postretirement benefits	-	-	-	-	-	-	-	208,181	-	208,181	208,181
Payroll processing fees	-	-	-	-	-	3,180	3,180	18,691	-	18,691	21,871
Grants and support	451,810	25,000	77,235	-	115	8,543	562,703	-	-	-	562,703
Utilities	-	21,188	-	-	-	111,919	133,107	10,356	-	10,356	143,463
Maintenance	40	18,413	-	2,084	224	117,297	138,058	37,290	-	37,290	175,348
Insurance	-	619	-	-	-	164,936	165,555	120,927	-	120,927	286,482
Telephone	-	5,158	3,541	5,420	4,097	26,759	44,975	16,736	4,496	21,232	66,207
Depreciation	-	-	-	-	-	306,817	306,817	24,363	-	24,363	331,180
Professional services	31	1,143	13,623	4,100	23,761	22,081	64,739	201,042	38,484	239,526	304,265
Travel	6,394	3,174	8,837	41,420	5,256	3,083	68,164	3,556	2,993	6,549	74,713
Vehicle expense	-	2,042	18,901	20,609	5,063	696	47,311	551	9,769	10,320	57,631
Conferences and retreats	-	-	69,453	16,496	12,282	3,833	102,064	9,015	-	9,015	111,079
Meals & entertainment	156	8,995	7,462	17,141	7,753	617	42,124	939	13,627	14,566	56,690
Food	-	-	-	-	-	154,503	154,503	-	-	-	154,503
Office and postage	653	25,371	2,820	6,649	3,854	13,721	53,068	21,166	2,198	23,364	76,432
Supplies	-	27,196	-	-	-	32,754	59,950	-	-	-	59,950
Interest and bank fess	-	-	-	-	1,651	45,449	47,100	10,211	-	10,211	57,311
Taxes	-	-	-	-	-	23,991	23,991	46,268	-	46,268	70,259
Other	419	-	-	5,368	1,970	27,187	34,944	41,796	4,497	46,293	81,237
<b>Total expenses</b>	<b>\$ 589,261</b>	<b>\$ 464,571</b>	<b>\$ 427,512</b>	<b>\$ 521,647</b>	<b>\$ 411,419</b>	<b>\$ 1,596,399</b>	<b>\$ 4,010,809</b>	<b>\$ 1,165,423</b>	<b>\$ 381,805</b>	<b>\$ 1,547,228</b>	<b>\$ 5,558,037</b>

*The accompanying notes are an integral part of these financial statements.*



## Episcopal Church in the Dioceses of Florida, Inc. Consolidated Statements of Functional Expenses

	Program Services							Supporting Services				Total Expenses
	Diocesan Title, Outreach and Giving	Youth and College Ministry	Congregational Development	Episcopate	Diocesan Programs and Ministries	Camp and Conference Center	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
<i>For the year ended December 31, 2018</i>												
Salaries and benefits	\$ 185,983	\$ 245,498	\$ 288,136	\$ 382,112	\$ 271,229	\$ 534,730	\$ 1,907,688	\$ 372,614	\$ 304,488	\$ 677,102	\$ 2,584,790	
Postretirement benefits	-	-	-	-	-	-	-	220,782	-	220,782	220,782	
Payroll processing fees	-	-	-	-	-	-	-	12,512	-	12,512	12,512	
Grants and support	513,382	2,798	75,300	10,040	-	-	601,520	-	-	-	601,520	
Utilities	3,888	24,692	-	-	-	132,700	161,280	19,462	-	19,462	180,742	
Maintenance	303	26,484	5,716	44	6,215	132,391	171,153	67,372	75	67,447	238,600	
Insurance	1,512	708	1,058	529	529	164,255	168,591	110,914	-	110,914	279,505	
Telephone	1,733	6,473	1,746	5,158	11,896	27,604	54,610	14,143	817	14,960	69,570	
Depreciation	-	-	-	-	2,090	309,531	311,621	14,219	-	14,219	325,840	
Professional services	606	2,693	26,702	1,437	87,001	71,535	189,974	194,081	3,256	197,337	387,311	
Travel	7,613	3,127	5,302	33,754	43,273	4,777	97,846	4,654	2,240	6,894	104,740	
Vehicle expense	420	1,922	15,109	19,398	4,180	-	41,029	237	7,624	7,861	48,890	
Conferences and retreats	975	3,092	111,720	16,848	57,484	-	190,119	49,662	2,175	51,837	241,956	
Meals & entertainment	924	8,952	9,299	33,275	6,202	-	58,652	10,715	7,493	18,208	76,860	
Food	-	-	-	-	-	155,002	155,002	-	-	-	155,002	
Office and postage	3,483	17,044	5,800	7,388	7,571	10,215	51,501	21,257	2,744	24,001	75,502	
Supplies	-	49,098	-	-	-	19,771	68,869	-	-	-	68,869	
Interest and bank fess	-	31,336	-	-	-	15,695	47,031	9,576	-	9,576	56,607	
Taxes	-	-	-	-	-	31,457	31,457	5,597	-	5,597	37,054	
Other	1,130	12,500	1,410	7,929	3,714	5,714	32,397	20,100	6,089	26,189	58,586	
<b>Total expenses</b>	<b>\$ 721,952</b>	<b>\$ 436,417</b>	<b>\$ 547,298</b>	<b>\$ 517,912</b>	<b>\$ 501,384</b>	<b>\$ 1,615,377</b>	<b>\$ 4,340,340</b>	<b>\$ 1,147,897</b>	<b>\$ 337,001</b>	<b>\$ 1,484,898</b>	<b>\$ 5,825,238</b>	

*The accompanying notes are an integral part of these financial statements.*

**Episcopal Church in the Diocese of Florida, Inc.**  
**Consolidated Statements of Cash Flows**

<i>For the years ended December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 902,242	\$ (2,537,171)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Amortization of discount on pledges receivable	(155,965)	-
Depreciation	331,180	325,840
(Gain) loss on sale of property and equipment	(1,104,210)	25,799
Unrealized and realized (gain) loss on investments	(994,822)	786,086
Changes in operating assets and liabilities		
Accounts receivable	(8,339)	32,604
Pledges receivable	621,186	784,341
Notes receivable	(1,915,658)	(685,018)
Prepaid expenses and other assets	30,765	(14,126)
Accounts payable and accrued expenses	(130,752)	36,393
Deposits	(109,797)	9,719
Accrued postretirement benefit obligation	118,419	114,920
<b>Net cash used in operating activities</b>	<b>(2,415,751)</b>	<b>(1,120,613)</b>
<b>Investing Activities</b>		
Purchase of property and equipment	(110,282)	(64,235)
Proceeds from sale of property and equipment	2,200,000	654,102
Purchase of investments	(760,057)	(617,949)
Proceeds from sale of investments	1,119,533	1,008,102
<b>Net cash provided by investing activities</b>	<b>2,449,194</b>	<b>980,020</b>
<b>Financing Activities</b>		
Payments on notes payable	(92,467)	(85,446)
Acquisition of note payable	-	20,899
<b>Net cash used in financing activities</b>	<b>(92,467)</b>	<b>(64,547)</b>
<b>Net change in cash and cash equivalents</b>	<b>(59,024)</b>	<b>(205,140)</b>
Cash and cash equivalents at beginning of year	259,349	464,489
<b>Cash and cash equivalents at end of year</b>	<b>\$ 200,325</b>	<b>\$ 259,349</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 27,611	\$ 32,987

*The accompanying notes are an integral part of these financial statements.*

## **Episcopal Church in the Diocese of Florida, Inc. Notes to Consolidated Financial Statements**

### **NOTE 1: DESCRIPTION OF THE ORGANIZATION**

The accompanying consolidated financial statements include the operations of the administrative offices of the Episcopal Church in the Diocese of Florida, Inc. (Diocese of Florida), Episcopal Camp and Conference Center, Inc. (Camp), and Episcopal Foundation, Inc. (Foundation), collectively “the Diocese”. The activities of these entities are consolidated, as the primary mission of each is to support the charitable and religious purposes of the Diocese.

The Diocese of Florida is a not-for-profit corporation existing under the laws of the State of Florida. The title to all assets and the responsibility for all indebtedness is in the corporation. The Diocese of Florida is one of 98 dioceses of the Episcopal Church in the United States. As such, it is subject to the Constitution and Canons of the National Church, and to the acts of the General Convention, which is held every three years.

The Foundation was organized on January 9, 1998 as a separate corporation. Its primary purpose is to support the charitable and religious purposes of the Diocese. The Foundation’s articles of incorporation allow both the income and the principal from donations to be expended unless otherwise stipulated by the donor. The Foundation has a Board of Directors which may, upon a majority vote, dissolve the corporation. Upon dissolution, all assets would be transferred to the Diocese of Florida.

The Camp is a ministry of the Diocese of Florida, the primary objective of which is to provide meeting and retreat facilities in a Christian atmosphere for groups and parishes within the Diocese of Florida.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### ***Consolidation***

The accompanying consolidated financial statements include the operations of the Diocese of Florida, the Foundation, and the Camp. All significant intercompany accounts, transactions, and profits have been eliminated.

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Use of Estimates***

The preparation of U.S. GAAP consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowances for uncollectible pledges receivable and accounts receivable, depreciable lives and estimated residual value and equipment, recognizing interest expense, fair value of investments in debt and equity securities, imputed rates to discount promises to give, defined benefit pension plans (actuarial assumptions), allocation of expenses by function, and related-party transactions (such as collectability or valuation of a related-party receivable).

***Cash and Cash Equivalents***

Cash and cash equivalents include cash deposits and all highly liquid investments with an original maturity of 90 days or less.

***Pledges Receivable***

Unconditional pledges receivable are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. Based on past experience and low probability of write-offs, management has determined no allowance for doubtful accounts is necessary. Pledges receivable are recorded at their discounted net present value using a discount rate of 4%.

***Investments***

The Diocese reports investments in equity and marketable securities with readily determinable fair values at their fair values in the Consolidated Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Consolidated Statement of Activities. Investment income or loss (including gains and losses on investments and interest and dividends less external and direct internal investment expenses) is accounted for as a change in net assets without donor restrictions, unless previously restricted by donor specifications or law. Realized gains and losses on disposition of investments are determined by comparison to specific cost of acquisition to proceeds at the time of disposal.

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Property and Equipment***

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

***Other Assets***

The Diocese of Florida is party to a "Declaration of Trust" relating to the residential property owned by the Bishop. The Bishop (Trustee) acknowledges that he is holding the property in his individual name and as Trustee for the benefit of the Diocese. The original ownership percentage held by the Diocese was 42% of the property which was valued at \$378,000 at December 31, 2016. In November 2016, the Diocese agreed to convey the Bishop 2.33% of its interest in the property for each year he serves as bishop until he retires. At retirement, the Bishop will own 100% of the property. At any time prior to retirement that the Bishop no longer holds his position, the property will be sold and the proceeds will be divided based on the percentage ownership at that time. As of December 31, 2019 and 2018, the Diocese had an 8% and 10% interest in the property valued at \$70,875 and \$89,775, respectively.

***Net Assets***

The Diocese reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Diocese, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Net Assets (continued)***

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

***Revenue Recognition***

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

***Donated Assets***

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. It is the Diocese's policy to sell donated securities immediately upon receipt, and accordingly, for purposes of the combined statement of cash flows, the proceeds from the sale of the donated securities are reported as cash flows from operating activities.

***Donated Services***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Diocese. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

***Functional Allocation of Expenses***

Directly identifiable expenses are charged to programs and supporting services. Expenses not charged to a specific program or supporting function require allocation on a reasonable basis that is consistently applied as follows: insurance, utilities, and telephone, are allocated based on location. Salaries and wages, payroll taxes and employee benefits are allocated on the basis of actual time and effort.

## Episcopal Church in the Diocese of Florida, Inc. Notes to Consolidated Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Income Taxes*

Under section 501(c)(3) of the Internal Revenue Code, the Diocese is exempt from taxes on income other than unrelated business income. Unrelated business income can result from rent, administration of self-insurance activities, and commissions.

The Diocese utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2019 and 2018, the Diocese has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. The Diocese believes it is no longer subject to income tax examinations for years prior to 2016.

#### *Retirement and Postretirement Benefits*

The clergy and staff of the Diocese are covered by separate defined benefit retirement plans. Ordained clergy are covered by a plan administered by The Church Pension Fund under which the Diocese contributes an amount equal to 18% of eligible clergy compensation. The Diocese contributes an amount equal to 9% of eligible staff compensation. Additionally, substantially all full-time lay staff members are covered by a qualified 403(b) plan. The Diocese of Florida follows the requirements of FASB ASC 715-60, *Defined Benefit Plans – Other Postretirement*. As a result, the cost of future postretirement benefits is recognized on an accrual basis as employees perform services to earn the benefits.

#### *Reclassifications*

Certain reclassifications were made to prior year balances to conform with current year presentation.

#### *Subsequent Events*

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 18, 2023. See Note 16 for relevant disclosure.

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 3: FINANCIAL ASSET AVAILABILITY**

The Diocese maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Diocese's expenditures come due. The following reflects the Diocese's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>December 31,</i>	<b>2019</b>	2018
Cash and cash equivalents	\$ <b>200,325</b>	\$ 259,349
Accounts receivable	<b>9,609</b>	1,270
Pledges receivable, current	<b>1,027,370</b>	986,771
Investments	<b>6,887,567</b>	6,252,221
	<b>8,124,871</b>	7,499,611
Less:		
Contractual or donor-imposed restrictions making financial assets unavailable for general expenditure	<b>(4,303,364)</b>	(3,157,522)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 3,821,507</b>	<b>\$ 4,342,089</b>

Financial assets at year-end as noted in the above schedule exclude property and equipment, notes receivable, other assets and prepaid expenses.



**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 4: PLEDGES RECEIVABLE**

Pledges receivable consist of the following:

<i>December 31,</i>	<b>2019</b>	2018
Foundation Capital Campaign pledges	\$ 1,854,104	\$ 2,669,890
Parish pledges	374,070	179,470
Pledges receivable before discount and allowance	2,228,174	2,849,360
Less unamortized discount	(111,135)	(267,100)
<b>Pledges receivable, net</b>	<b>\$ 2,117,039</b>	<b>\$ 2,582,260</b>
<b>Amount due in:</b>		
Receivable within one year	\$ 1,027,370	\$ 986,771
Receivable in one to five years	1,200,804	1,853,789
Receivable in more than five years	-	8,800
Total pledges receivable	2,228,174	2,849,360
Unamortized discount	(111,135)	(267,100)
<b>Pledges receivable, net</b>	<b>\$ 2,117,039</b>	<b>\$ 2,582,260</b>

**NOTE 5: NOTES RECEIVABLE**

In 2012, The Diocese sold real property for \$303,964 to a third party and holds a mortgage note receivable related to the sale. Payments on the note of \$1,508, including interest at 5%, are due monthly through February 2019. Current portion of the note receivable was \$97,757 at December 31, 2018. The note was paid in full during 2019.

In 2016, the Diocese made a loan to the All Saints Parish (related party) of \$175,000 for renovations to its Church. The amount outstanding under the loan is \$175,000 as of December 31, 2019 and 2018. The loan is non-interest bearing, unsecured, and is due December 2024.

In 2017, the Diocese made a loan to the St. Philip's Episcopal Church (related party) of \$50,000 for renovations to its Church. The amount outstanding under the loan is \$29,167 and \$10,000 as of December 31, 2019 and 2018, respectively. Payments on the loan of \$833, incurring no interest, are due monthly through November 2022, and are unsecured. Current portion of the note receivable is \$10,000 at both December 31, 2019 and December 31, 2018, respectively.

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 5: NOTES RECEIVABLE (CONTINUED)**

In 2018, The Diocese sold real property to a third party for \$625,000 and holds a mortgage note receivable related to the sale in the amount of \$486,492 and \$612,236 as of December 31, 2019 and 2018, respectively. Payments on the note of \$5,000, including interest at 3.5%, are due monthly through August 2023. Current portion of the note receivable is \$59,157 and \$66,764 at December 31, 2019 and 2018, respectively.

In 2018, the Diocese made a loan to the Grace Episcopal Church (related party) of \$95,000 for renovations to its Church. The amount outstanding under the loan is \$90,500 and \$95,000 as of December 31, 2019 and 2018, respectively. Payments on the loan of \$1,583, incurring no interest, are due monthly through April 2024, and are unsecured. Current portion of the note receivable is \$6,000 and \$11,083 at December 31, 2019 and 2018, respectively.

In 2019, The Diocese sold real property to a third party for \$2,200,000 and holds a mortgage note receivable related to the sale in the amount of \$2,110,000 as of December 31, 2019. Payments on the note of \$12,650, including interest at 6.0%, are due monthly with a balloon payment due December 2021. Current portion of the note receivable is \$23,692 at December 31, 2019.

In 2019, the Diocese made a loan to the St. Mary's Episcopal Church (related party) of \$48,000. The amount outstanding under the loan is \$48,000 as of December 31, 2019. Payments on the loan of \$3,000 are due quarterly beginning January 2020 until the loan is paid in full. The loan is non-interest bearing and is unsecured. Current portion of the note receivable is \$12,000 at December 31, 2019.

The notes receivable balance also includes certain loans extended to various parishes (related parties) totaling \$29,826 and \$33,333 as of December 31, 2019 and 2018, respectively. There are no formal agreements; repayment terms vary between 3-5 years with no interest due. The entire balance is considered non-current at December 31, 2019 and 2018.

**NOTE 6: INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

## Episcopal Church in the Diocese of Florida, Inc. Notes to Consolidated Financial Statements

### NOTE 6: INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
  - observable; or
  - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

*Money market funds:* The fair value of money market funds is classified as Level 1. The money market mutual fund consists primarily of domestic commercial paper and other cash management instruments, such as repurchase agreements and master notes, U.S. government and corporate obligations and other securities of foreign issuers. The fund seeks to maintain a stable net asset value of \$1 per share.

*Equity securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds and real asset funds:* Valued daily at the closing price as reported by the fund. These funds are required to publish their daily net asset value ("NAV") which is the price at which units can be traded at the measurement date. The mutual funds held by the Diocese are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Diocese believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 6: INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

Assets and liabilities measured at fair value on a recurring basis, are summarized for the years ended December 31, 2019 and 2018:

<b><i>December 31, 2019</i></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 454,106	\$ -	\$ -	\$ 454,106
Equity securities	4,154,055	-	-	4,154,055
Mutual funds	2,028,024	-	-	2,028,024
Real asset funds	251,382	-	-	251,382
<b>Total investments at fair value</b>	<b>\$ 6,887,567</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,887,567</b>
<b><i>December 31, 2018</i></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 172,225	\$ -	\$ -	\$ 172,225
Equity securities	3,862,968	-	-	3,862,968
Mutual funds	1,825,323	-	-	1,825,323
Real asset funds	391,705	-	-	391,705
<b>Total investments at fair value</b>	<b>\$ 6,252,221</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,252,221</b>

***Changes in Fair Value Levels***

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the year ended December 31, 2019, there were no significant transfers in or out of Levels 1, 2 or 3.

Investment income is comprised of the following:

<b><i>Year Ended December 31,</i></b>	<b>2019</b>	<b>2018</b>
Dividends and interest, net of expenses of \$32,991 in 2019 and \$38,210 in 2018	<b>\$ 182,865</b>	\$ 299,400
Realized and unrealized gain (loss) on investments	<b>994,822</b>	(786,086)
<b>Total net investment income</b>	<b>\$ 1,177,687</b>	<b>\$ (486,686)</b>

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 7: PROPERTY AND EQUIPMENT**

Property and equipment - net consist of the following:

<i>December 31,</i>		<b>2019</b>	2018
	<u>Estimated Use Life</u>		
Land:			
Parishes and missions	N/A	\$ <b>1,318,503</b>	\$ 1,293,303
Camp and Conference Center	N/A	<b>911,801</b>	911,801
Buildings and improvements:			
Camp and Conference Center	5 - 40 years	<b>10,665,635</b>	10,665,635
Real estate held for sale or lease	N/A	<b>1,976,800</b>	3,072,590
Furniture and fixtures	3 - 7 years	<b>1,360,185</b>	1,329,319
Equipment	2 - 8 years	<b>396,925</b>	391,209
Vehicles	5 years	<b>20,899</b>	20,899
Construction in progress	N/A	<b>56,900</b>	8,400
Total property and equipment		<b>16,707,648</b>	17,693,156
Less accumulated depreciation		<b>(8,744,705)</b>	(8,413,525)
Property and equipment, net		<b>\$ 7,962,943</b>	\$ 9,279,631

Depreciation expense for the years ended December 31, 2019 and 2018 was \$331,180 and \$325,840, respectively.

Pursuant to Florida law, the Canons of The Episcopal Church, and the Canons of the Diocese, title to real and personal property used by the individual parishes and missions is held by the Diocese. When the Diocese takes control of real property, along with all the risks and rewards related to ownership, an asset is recorded at the property's current fair market value. The Diocese may take control because of abandonment of parish property or assumption of an associated mortgage liability. Consequently, only certain of these assets are reflected in these financial statements. To obtain an accurate statement of value of the property ownership by the Diocese, all parish and mission financial statements should be reviewed together with these financial statements.

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 7: PROPERTY AND EQUIPMENT (CONTINUED)**

Sales of parish and mission real estate are accounted for under the full accrual method except when those sales do not meet the requirements for income recognition. When the requirements for income recognition are not met, the deposit method is utilized. Under that method, the sale is not recognized, and the loan receivable from the buyer is not recorded. Principal payments and cash received at closing are recorded as deposits in the statement of financial position until the income recognition requirements are met. A gain of \$1,104,210 and a loss of \$25,799 from the sale of parish property was recognized by the Diocese for the years ended December 31, 2019 and 2018, respectively.

**NOTE 8: LONG-TERM DEBT**

Long-term debt consists of the following:

<i>December 31,</i>	<b>2019</b>	2018
Mortgage payable to bank, bearing interest at 4.25%, due in quarterly principal and interest installments of \$28,631; maturing May 2025; secured by Camp Weed & Cerveny Conference Center real property and improvements with a net book value of \$4,211,479.	\$ 557,945	\$ 647,550
Note payable to bank, bearing interest at 8.79%, due in monthly principal and interest installments of \$376; maturing August 2024; secured by 2015 Volvo with a net book value of \$14,629.	17,210	20,072
Long-term debt	575,155	667,622
Less current portion	(95,246)	(91,272)
Long-term debt, less current portion	\$ 479,909	\$ 576,350

Interest expense related to the long-term debt was \$27,611 and \$32,987 for the years ended December 31, 2019 and 2018, respectively.

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 8: LONG-TERM DEBT (CONTINUED)**

Principal maturities for each of the next five years and thereafter follow:

<i>For the years ending December 31,</i>	Amount
2020	\$ 95,246
2021	99,576
2022	104,042
2023	108,718
2024	112,258
Thereafter	55,315
<b>Total</b>	<b>\$ 575,155</b>

**NOTE 9: NET ASSETS**

A summary of net assets with donor restrictions follows:

<i>December 31,</i>	2019	2018
Maintenance and expansion of camp	\$ 330,035	\$ 212,439
Diocese support	2,544,139	1,498,240
Trust interest	70,875	89,775
The Audrey and Craig Thorn Fund	299,199	299,199
College Chapel	59,848	73,918
Camp Weed support	208,108	274,489
Aging ministry fund	66,763	66,763
Bullock Scholarship Fund	50,000	50,000
Seminarian support	270,021	236,120
Bishop's search & transition fund	125,612	101,556
Various other purposes	278,764	255,023
<b>Total net assets with donor restrictions</b>	<b>\$ 4,303,364</b>	<b>\$ 3,157,522</b>

**NOTE 10: ENDOWMENTS**

The Diocese's endowment consists of eighteen individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Diocese to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Diocese to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

## Episcopal Church in the Diocese of Florida, Inc. Notes to Consolidated Financial Statements

### NOTE 10: ENDOWMENTS (CONTINUED)

Absent explicit donor stipulations to the contrary, the Diocese has interpreted the State of Florida's Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Diocese retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual 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 retained in perpetuity are subject to appropriation for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Diocese, and (7) the Diocese's investment policies.

*Spending Policy and Investment Return Objectives.* The Diocese has adopted investment and spending policies as determined and recommended by the Finance Committee, and approved by the Diocesan Council and the Bishop, for endowment assets. Such policies are designed to invest the Diocese's cash assets in securities and depositories that will yield the maximum total return consistent with the safety of principal and liquidity needs. The Diocese's spending and investment policies collectively work to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is in line with not-for-profit industry management and investment of endowment funds. Actual returns in any given year may vary. Management believes that the investment philosophy of the Diocese is generally conservative in nature and balances its return of the investment along with liquidity.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Diocese has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. During the year, the Diocese did not appropriate any expenditure from underwater endowments.



**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 10: ENDOWMENTS (CONTINUED)**

Endowment net asset composition by type of fund follows:

<i>December 31, 2019</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment net assets in perpetuity	\$ -	\$ 1,500,966	\$ 1,500,966
Net accumulated earnings on donor-restricted endowment net assets available for expenditure	<b>847,419</b>	<b>173,587</b>	<b>1,021,006</b>
<b>Total endowment funds</b>	<b>\$ 847,419</b>	<b>\$ 1,674,553</b>	<b>\$ 2,521,972</b>

<i>December 31, 2018</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment net assets in perpetuity	\$ -	\$ 1,487,726	\$ 1,487,726
Net accumulated earnings on donor-restricted endowment net assets available for expenditure	121,409	67,374	188,783

Changes in endowment net assets follow:

<i>Year ended December 31, 2019</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 121,409	\$ 1,555,100	\$ 1,676,509
Contributions	-	13,240	13,240
Investment income, net	145,058	20,222	165,280
Net appreciation on investments	744,725	103,437	848,162
Amounts appropriated for expenditures	(163,773)	(17,446)	(181,219)
<b>Endowment net assets, December 31</b>	<b>\$ 847,419</b>	<b>\$ 1,674,553</b>	<b>\$ 2,521,972</b>

<i>Year ended December 31, 2018</i>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 169,847	\$ 1,589,359	\$ 1,759,206
Investment income, net	51,276	16,691	67,967
Net depreciation on investments	(99,714)	(50,950)	(150,664)
<b>Endowment net assets, December 31</b>	<b>\$ 121,409</b>	<b>\$ 1,555,100</b>	<b>\$ 1,676,509</b>

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 11: RETIREMENT AND POSTRETIREMENT PLANS**

The Clergy and the lay employees of the Diocese of Florida are participants in separate defined benefit pension plans. Clergy are covered by the Church Pension Fund and lay employees are covered by the Lay Pension Fund. Both plans are defined benefit plans; however, they are part of a National Plan and additional information with respect to the Diocese of Florida is not available as the plans are evaluated on an aggregate basis. The plans call for quarterly contributions by the Diocese of Florida, based on a percentage of aggregate compensation. Total pension expense was \$184,189 and \$288,261 for the years ended December 31, 2019 and 2018, respectively. Additionally, substantially all lay full-time staff members are covered by a qualified 403(b) plan; costs related to the match were \$42,822 in 2019 and \$34,418 in 2018, respectively.

Additionally, the Diocese of Florida provides certain health care benefits for clergy and laity retirees under a post-retirement benefit plan (the "Plan"). Eligibility for those benefits occurs upon the attainment of age 65 and a minimum of five years of service prior to retiring from the Diocese. In 2013, the Diocese of Florida modified the amount of benefits paid under the Plan and limited eligibility to individuals hired prior to July 1, 2011.

The following presents the Plan's funded status reconciled with amounts recognized in the accompanying financial statements:

<i>December 31,</i>	<b>2019</b>	2018
Accrued postretirement benefit obligation	<b>\$ 1,765,603</b>	\$ 1,647,184
Market value of plan assets	-	-
Accrued postretirement benefit obligation	<b>1,765,603</b>	1,647,184
Unrecognized prior service cost	<b>263,830</b>	345,766
Unrecognized loss	<b>(153,555)</b>	(18,540)
<b>Accumulated postretirement benefit obligation</b>	<b>\$ 1,875,878</b>	<b>\$ 1,974,410</b>

The following represents a reconciliation of the beginning and ending balances of the accrued postretirement benefit obligation:

<i>December 31,</i>	<b>2019</b>	2018
Accrued postretirement benefit obligation, beginning of year	<b>\$ 1,647,184</b>	\$ 1,532,264
Service cost	<b>48,088</b>	60,893
Interest cost	<b>52,208</b>	44,166
Cost from assumption changes	<b>89,023</b>	83,861
Net employer premiums paid	<b>(70,900)</b>	(74,000)
<b>Accrued postretirement benefit obligation, end of year</b>	<b>\$ 1,765,603</b>	<b>\$ 1,647,184</b>

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 11: RETIREMENT AND POSTRETIREMENT PLANS (CONTINUED)**

Net periodic postretirement benefit costs include the following components:

<i>Year Ended December 31,</i>	<b>2019</b>	2018
Service cost	\$ <b>48,088</b>	\$ 60,893
Interest cost	<b>52,208</b>	44,166
<b>Net periodic postretirement benefit costs</b>	<b>\$ 100,296</b>	\$ 105,059

The Diocese of Florida continues to fund benefits on a pay-as-you-go basis. The cost of retiree health care benefits funded upon payment of claims totaled \$70,900 and \$74,000 for the years ended 2019 and 2018, respectively.

Annual benefit payments which reflect anticipated future service are expected to be paid as follows:

<i>Year ending December 31,</i>	Amount
2020	\$ 95,350
2021	96,995
2022	103,244
2023	104,551
2024	106,547
2025 - 2027	314,699
<b>Total</b>	<b>\$ 821,386</b>

The accumulated postretirement benefit obligation and expected cost of benefits have been computed using a weighted average discount rate of 3.51% for the years ended 2019 and 2018.

**NOTE 12: CONCENTRATIONS OF CREDIT RISK**

The Diocese maintains its cash in bank deposits and money market accounts. At times, cash balances may be in excess of Federal Deposit Insurance Corporation (FDIC) insured limits which provides for full deposit coverage for noninterest-bearing accounts and insures up to \$250,000 for each interest-bearing deposit account. There were no uninsured cash balances as of December 31, 2019 and 2018.

Concentration of credit risk with respect to pledges receivable relates to one donor representing approximately 81% and 75% of the total nondiscounted pledges as of December 31, 2019 and 2018, respectively.

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 12: CONCENTRATIONS OF CREDIT RISK (CONTINUED)**

The Diocese's credit risk is inherent principally in its investments. Adverse economic conditions either domestically or internationally may result in a reduction of the investments' carrying amount. Market risk of the Diocese's investment portfolio is monitored through ongoing review of asset allocations and evaluation by independent investment advisers.

**NOTE 13: COMMITMENTS**

**Leases**

The Diocese leased certain vehicles under various noncancelable operating lease arrangements that expire at various dates through 2022. Rent expense totaled \$33,320 and \$34,096 for the years ended December 31, 2019 and 2018, respectively.

Minimum operating lease commitments are as follows:

<i>Year Ending December 31,</i>	Amount
2020	\$ 24,435
2021	21,914
2022	17,447
Total	\$ 63,796

**Title to Real Property**

Title to real property used by the individual parishes and missions of the Diocese of Florida is owned and held by the Diocese of Florida and several of the properties have outstanding liabilities against them. On certain loans, the Diocese of Florida is the maker of the loan, with the parish as the guarantor. However, in practice, the parishes and missions are responsible for making payments on the loans (the related properties and debt are recorded on their books) and the Diocese of Florida acts as a guarantor on the debt. The amount of these loans outstanding at December 31, 2019 and 2018 are approximately \$4.02 million and \$3.57 million, respectively. The Diocese of Florida believes that the fair value of the assets associated with the borrowings exceeds the outstanding loan balance.

**Litigation**

At times, the Diocese of Florida may be subject to litigation in the normal course of its operations. The Diocese of Florida records a liability for such litigation when, in their opinion, there will be a material adverse effect in a future period. No such liability was recorded as of December 31, 2019 and 2018.

## Episcopal Church in the Diocese of Florida, Inc. Notes to Consolidated Financial Statements

### NOTE 13: COMMITMENTS (CONTINUED)

#### Provision for Dissolution of a Parish

Pursuant to the Articles of Association in the Canons of The Episcopal Church in the Diocese of Florida, in the event of dissolution of a Parish, the land, tenements, and other estates, real or personal, shall vest in The Episcopal Church in the Diocese of Florida.

### NOTE 14: RELATED PARTY TRANSACTIONS

The Diocese of Florida establishes general doctrine, provides oversight, and approves Clergy staff of each parish in its jurisdiction. As such, each parish is required to remit a portion of annual support and revenue to the Diocese. Parishes remitted \$1,924,616 and \$1,984,676 to the Diocese for annual support for the years ended December 31, 2019 and 2018, respectively.

The Diocese holds title to substantially all land and buildings used by the parishes under Diocese's jurisdiction and may encumber the property for the benefit of those parishes or the Diocese.

The Diocese has entered into installment promissory notes with several parishes. The amount of outstanding notes receivable to such related parties is \$295,326 and \$343,333 at December 31, 2019 and 2018, respectively.

### NOTE 15: PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2019 management identified three items previously not reported in the financial statements.

First, a property was sold and it was discovered that a portion of the proceeds for the sale of the property was received in previous years as a deposit but had been recognized in revenue in error at the time the deposit payments were received. Accordingly, an adjustment has been made to the beginning net assets for 2018 to reflect this misstatement. The adjustment decreased previously reported net assets without donor restrictions by \$90,000 and increased previously reported deposits by \$90,000.

Next, two investment accounts restricted for the Bishop's search & transition fund were not recorded. Accordingly, an increase has been made to the beginning net assets with donor restrictions for 2018 to reflect revenue of \$101,556. The investments were also increased by \$101,556.

**Episcopal Church in the Diocese of Florida, Inc.**  
**Notes to Consolidated Financial Statements**

**NOTE 15: PRIOR PERIOD ADJUSTMENT (CONTINUED)**

Last, the lease for a 2015 Volvo vehicle was purchased and converted to long-term debt in July 2018. Accordingly, a vehicle with a net book value of \$18,819 was recorded through an adjustment. The net assets without donor restrictions were reduced by \$1,263 due to depreciation expense not previously recorded. Last, long-term debt of \$20,072 was recorded.

**NOTE 16: SUBSEQUENT EVENTS**

The Diocese has evaluated subsequent events through January 18, 2023, the date the financial statements were available to be issued.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. The Governor of Florida declared a public health emergency in Florida due to COVID-19 and imposed "shelter-in-place" orders, quarantines, executive orders and similar government orders and restrictions for Florida residents to control the spread of COVID-19. These orders have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions and cancellation of events, among other effects, thereby negatively impacting providers and clients served. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the Diocese. In addition, such declines in the fair value of investments held by the Diocese may materially and adversely impact the Diocese's ability to achieve its investment objectives and therefore, its operational objectives. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

The Diocese applied for and received a \$1,189,500 Paycheck Protection Program (PPP) loan in April 2020. The Diocese has spent the loan proceeds in accordance with the provisions of PPP and received forgiveness in June 2021.