

**DIOCESE OF PALM BEACH, INC.**  
**REPORT ON AUDITS OF FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

# DIOCESE OF PALM BEACH, INC.

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## Report of Independent Auditors

To the Most Reverend Gerald M. Barbarito  
Bishop of the Diocese of Palm Beach  
Diocese of Palm Beach, Inc.  
Palm Beach Gardens, Florida

### Opinion

We have audited the accompanying financial statements of Diocese of Palm Beach, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2025, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diocese of Palm Beach, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Diocese of Palm Beach, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese of Palm Beach, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Diocese of Palm Beach, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese of Palm Beach, Inc.'s ability to continue as a going concern for a reasonable period of time.

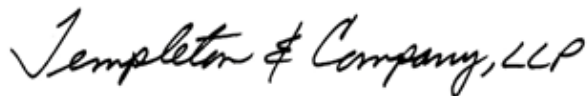
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited the 2024 financial statements and our report dated October 15, 2024 expressed an unmodified opinion. The summarized comparable information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



West Palm Beach, Florida  
October 16, 2025

**DIOCESE OF PALM BEACH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2025**  
**(with comparative information for June 30, 2024)**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 36,461,094	\$ 26,264,921
Investments (Note 4)	73,019,598	68,398,139
Pledges receivable, net (Note 6)	565,225	925,440
Receivables from Diocesan entities	2,753,754	2,412,164
Other receivables, net (Note 5)	161,812	188,957
Other assets and prepaid assets	4,318,442	4,136,297
Property and equipment, net (Note 8)	<u>19,624,851</u>	<u>21,724,674</u>
Total assets	<u>\$ 136,904,776</u>	<u>\$ 124,050,592</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,779,042	\$ 2,944,729
Self-insurance reserves (Note 9)	1,545,071	1,862,604
Annuities payable	143,264	137,243
Post-employment benefit obligation (Note 10)	314,367	420,013
Guarantee of indebtedness reserve (Note 3)	<u>837,533</u>	<u>852,549</u>
Total liabilities	<u>5,619,277</u>	<u>6,217,138</u>
Commitments and contingencies (Notes 3, 9, and 10)		
Net assets:		
Without donor restrictions	77,608,623	65,299,547
With donor restrictions (Note 16)	<u>53,676,876</u>	<u>52,533,907</u>
Total net assets	<u>131,285,499</u>	<u>117,833,454</u>
Total liabilities and net assets	<u>\$ 136,904,776</u>	<u>\$ 124,050,592</u>

See accompanying notes to financial statements.

# DIOCESE OF PALM BEACH, INC.

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

(with comparative information for the year ended June 30, 2024)

	Year Ended June 30, 2025			2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Diocesan services appeal	\$ -	\$ 10,545,358	\$ 10,545,358	\$ 10,156,690
Contributions and bequests	231,666	1,164,531	1,396,197	1,387,439
Cemetery care deposits	-	342,675	342,675	323,349
Program revenue	1,595,452	-	1,595,452	1,344,861
Self-insurance program revenue	9,889,939	-	9,889,939	8,510,502
Interest and dividend income	961,361	1,009,101	1,970,462	1,857,766
Special events, net of direct expenses	596,532	-	596,532	601,359
Rental income - in kind	204,000	-	204,000	204,000
Other income, net	137,883	-	137,883	29,437
Net assets released from restrictions (Note 17)	<u>14,617,633</u>	<u>(14,617,633)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>28,234,466</u>	<u>(1,555,968)</u>	<u>26,678,498</u>	<u>24,415,403</u>
Expenses:				
Program services:				
Pastoral	1,432,206	-	1,432,206	1,454,312
Religious personnel development	1,196,815	-	1,196,815	1,255,345
Educational and faith programs	3,732,036	-	3,732,036	3,516,746
Missions support	2,381,283	-	2,381,283	2,604,984
Self-insurance program (Note 9)	6,802,345	-	6,802,345	7,666,114
Social service programs	<u>5,431,273</u>	<u>-</u>	<u>5,431,273</u>	<u>3,359,490</u>
Total program services	20,975,958	-	20,975,958	19,856,991
Supporting services:				
Diocesan administration	4,167,771	-	4,167,771	3,855,593
Plant, facility and construction management	<u>1,314,465</u>	<u>-</u>	<u>1,314,465</u>	<u>1,399,857</u>
Total expenses	<u>26,458,194</u>	<u>-</u>	<u>26,458,194</u>	<u>25,112,441</u>
Change in net assets before non-operating activities	1,776,272	(1,555,968)	220,304	(697,038)
Change in guarantee of indebtedness reserve	(290,245)	-	(290,245)	(213,500)
Net investment return	2,857,376	2,698,937	5,556,313	7,306,121
Gain on sales of property, net	12,360,027	-	12,360,027	-
Change in post-employment benefit obligation	105,646	-	105,646	122,494
Contributions to Priest and Lay Pension Plans (Note 10)	<u>(4,500,000)</u>	<u>-</u>	<u>(4,500,000)</u>	<u>(500,000)</u>
Change in net assets	12,309,076	1,142,969	13,452,045	6,018,077
Net assets - beginning of year	<u>65,299,547</u>	<u>52,533,907</u>	<u>117,833,454</u>	<u>111,815,377</u>
Net assets - end of year	<u>\$ 77,608,623</u>	<u>\$ 53,676,876</u>	<u>\$ 131,285,499</u>	<u>\$ 117,833,454</u>

See accompanying notes to financial statements.

**DIOCESE OF PALM BEACH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2025**  
**(with comparative information for the year ended June 30, 2024)**

	2025									
	Pastoral	Religious Personnel Development	Education and Faith Programs	Missions Support	Self-Insurance Program	Social Service Programs	Diocesan Administration	Plant, Facility and Construction	Total	2024 Total
Salaries, taxes, and benefits	\$ 993,218	\$ 429,615	\$ 1,177,713	\$ 252,536	\$ -	\$ 1,289,021	\$ 3,021,382	\$ 699,857	\$ 7,863,342	\$ 7,788,038
Subsidies and donations	55,300	129,258	993,533	2,061,407	-	3,656,861	87,938	-	6,984,297	4,910,165
Educational programs	121,859	415,500	1,084,860	-	-	168,693	-	-	1,790,912	1,821,451
Insurance	19,353	14,354	17,235	243,241	7,585,345	17,669	44,384	88,167	8,029,748	8,840,062
Information technology and telecommunications	11,891	3,811	8,977	775	-	22,513	244,558	14,690	307,215	187,615
Utilities	12,629	4,353	7,268	1,079	-	12,664	20,454	3,940	62,387	66,890
Office, printing, and postage	16,620	8,867	6,349	23,250	-	46,412	259,771	20,991	382,260	394,621
Other program and operating	43,336	87,161	152,280	28,382	-	17,268	6,108	3,103	337,638	331,809
Travel and meetings	24,847	16,431	21,120	3,496	-	13,912	31,048	13,958	124,812	156,965
Maintenance contracts and repairs	80,670	13,128	72,757	3,255	-	38,190	61,679	318,061	587,740	646,401
Depreciation	66,720	23,000	38,397	5,703	-	66,910	108,064	20,814	329,608	311,128
Professional and contract services	5,116	65,691	168,782	1,400	-	98,829	326,769	219,051	885,638	831,244
Interfund eliminations	(19,353)	(14,354)	(17,235)	(243,241)	(783,000)	(17,669)	(44,384)	(88,167)	(1,227,403)	(1,173,948)
	<u>\$ 1,432,206</u>	<u>\$ 1,196,815</u>	<u>\$ 3,732,036</u>	<u>\$ 2,381,283</u>	<u>\$ 6,802,345</u>	<u>\$ 5,431,273</u>	<u>\$ 4,167,771</u>	<u>\$ 1,314,465</u>	<u>\$ 26,458,194</u>	<u>\$ 25,112,441</u>

See accompanying notes to financial statements.

**DIOCESE OF PALM BEACH, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2025**  
**(with comparative information for the year ended June 30, 2024)**

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 13,452,045	\$ 6,018,077
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	329,608	311,128
Gain on sales of properties	(12,360,027)	(4,200)
Unrealized and realized gains on investments, net	(5,032,940)	(6,916,861)
Change in guarantee of indebtedness reserve	(15,016)	(456,848)
Change in self-insurance reserves	(317,533)	78,078
Changes in operating assets and liabilities:		
Receivables from Diocesan entities	(341,590)	(195,833)
Pledges receivable	360,215	350,167
Other receivables	27,145	24,926
Other assets and prepaid expenses	(182,145)	(480,008)
Accounts payable and accrued expenses	(165,687)	241,034
Annuities payable	6,021	(7,146)
Post-employment benefit obligation	<u>(105,646)</u>	<u>(122,494)</u>
Net cash used in operating activities	<u>(4,345,550)</u>	<u>(1,159,980)</u>
Cash flows from investing activities:		
Purchases of investments	(54,043,100)	(19,790,528)
Proceeds from sales of investments	54,454,581	20,232,402
Proceeds from sales of properties	14,213,130	4,200
Purchases of property and equipment	<u>(82,888)</u>	<u>(275,808)</u>
Net cash provided by investing activities	<u>14,541,723</u>	<u>170,266</u>
Increase (decrease) in cash and cash equivalents	10,196,173	(989,714)
Cash and cash equivalents, beginning of year	<u>26,264,921</u>	<u>27,254,635</u>
Cash and cash equivalents, end of year	<u>\$ 36,461,094</u>	<u>\$ 26,264,921</u>

See accompanying notes to financial statements.



**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 – Description of Activities and Summary of Significant Accounting Policies**

The Diocese of Palm Beach, Inc. (the Diocese) is an operating entity of the Diocese of Palm Beach, a not-for-profit corporation existing under the laws of the State of Florida. There are no stockholders, directors or officers in The Diocese of Palm Beach, only the holder of the office of Bishop of Palm Beach (the Bishop). The Bishop holds title to all assets and is liable for all indebtedness of the Diocese of Palm Beach. The title to all assets and the responsibility for all indebtedness passes to the Bishop's successor in office rather than to his relatives or other customary heirs.

The accompanying financial statements of the Diocese do not include the accounts of the Diocese of Palm Beach that are affiliated with other Diocesan entities (e.g., parishes, missions, schools, affiliated corporations). These financial statements also exclude the multi-employer pension and multi-employer health plan for the Diocese of Palm Beach and other Diocesan-related organizations and the assets and liabilities held by the Diocese of Palm Beach Savings Fund Trust (SFT) (see Note 3).

The Diocese serves five counties in the South Florida area and receives substantial financial support from parishioners through the Diocesan Services Appeal. Accordingly, the financial strength of the Diocese can vary based upon the economic health of the South Florida economy.

A summary of the significant accounting policies used to prepare the accompanying financial statements follows:

Basis of accounting and presentation

The Diocese financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) FASB ASC Topic 958, *Not-for-Profit Entities*.

The financial statements have been prepared to focus on the Diocese, as described in the preceding paragraphs, and present balances and transactions according to the existence or absence of donor-imposed restrictions. The following fund groups are included in the accompanying financial statements: Current Undesignated Fund, Plant Fund, Endowment Funds, and the Self-Insurance Fund.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

*Net assets without donor restrictions*

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Diocese, the environment in which it operates, the purpose specified by the Diocese, and any limits resulting from contractual arrangements with creditors or others that are entered into in the course of operations.

*Net assets with donor restrictions*

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time period has passed. Other donor-imposed restrictions are perpetual in nature; the Diocese must continue to use the resources in accordance with the donor's instructions.

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Description of Activities and Summary of Significant Accounting Policies, Continued**

Liquidity

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

Revenue recognition

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Billings to Diocesan entities for self-insurance program contributions are deferred and recognized as revenue ratably over the related policy period. Gains and/or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

The Diocesan Services Appeal (DSA) primarily funds the various ministries and outreach programs of the Diocese. DSA assessments are based on a standard formula which is substantially based on parish offertory income.

Contributions and bequests

Transfers of cash or other assets or settlement of liabilities that are both voluntary and non-reciprocal are recognized as contributions. Contributions may be either conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific measurable outcomes, limitations on performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligations to transfer any assets in the event the Diocese fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as deferred revenue.

The Diocese reports contributions of nonfinancial assets as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of nonfinancial assets are reported at their estimated fair value at the date of the gift. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Diocese reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give (pledges) are recognized as contributions at fair value at the date the promises are received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges that are expected to be collected in more than one year are recorded at fair value at the date of promise. The fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible pledges receivable is determined based on management's evaluation of the collectability of the individual promises. Pledges that remain uncollected more than one year after their due dates are written off unless the donor indicates that payment is merely postponed. Amounts pledged are recorded as contributions of net assets with donor restrictions, if designated by the donors as such. Contributions under split-interest agreements, including charitable remainder trusts and charitable gift annuities, for which the Diocese is the trustee or custodian are recorded at the fair value of the assets received, and a liability is recorded for the present value of the expected payments to be made to the beneficiaries (annuities payable). The Diocese distinguishes between pledges received for each net asset category in accordance with donor restrictions, if any.

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Description of Activities and Summary of Significant Accounting Policies, Continued**

Contributed services

Volunteers contribute significant services to the Diocese throughout the year, especially in the performance of certain program services. These volunteer services are not valued or recorded in the accompanying financial statements.

Self-insurance program revenue and other program revenue

Fees for services, including administering the self-insurance program for other Diocesan entities and affiliates, are recognized in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers*. Due to the short period of time over which services are provided, fees for services are recognized in the same month in which services are provided which is when performance obligations are satisfied.

Cash and cash equivalents

Cash and cash equivalents include demand deposit and money market accounts, SFT deposits (see Note 3), and other highly liquid investments with an original maturity of three months or less.

Receivables from Diocesan entities

Receivables from Diocesan entities consist of amounts due under the DSA on behalf of parishes. As of June 30, 2025 and 2024, there was no allowance for doubtful collections for amounts due under the DSA.

Other receivables

Other receivables consists of the uncollected amounts invoiced to Diocesan entities under the self-insurance program and for program services provided by the Diocese. The Diocese establishes an allowance for credit losses at the end of each reporting period. The allowance estimate is derived from a review of historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Diocese. Management believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses.

The allowance for credit losses was \$480,000 as of both June 30, 2025 and 2024. The Diocese writes off the account when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Diocese's accounting policy election.

Investments

Investments are carried at fair value in the statement of financial position. Investments include individual common stocks, mutual funds, U.S. government and municipal bonds, money market funds, certificates of deposit, and corporate bonds.

Investment income and realized gains and losses on investments are recognized upon realization. Purchased portfolio investments are recorded at cost and contributed portfolio investments are initially recorded at fair value on the date received. Unrealized gains and losses are recognized based on changes in fair values during the period. Net investment returns are reported in appropriate net asset classifications based upon the existence of donor restrictions, if any.

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Description of Activities and Summary of Significant Accounting Policies, Continued**

Investments, continued

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near-term. The Diocese has an investment policy, utilizes management oversight, third party consultants and regularly reviews its investment portfolio to monitor these risks.

Property and equipment

Property and equipment are stated at cost if purchased or, if acquired by contribution, at the estimated fair market value on the date of contribution. All property and equipment is capitalized unless the asset has a value of less than \$10,000 in which case it is expensed in the period incurred.

The Diocese provides for depreciation over the estimated useful lives of the related assets using the straight-line method. These estimated useful lives are summarized in the following table:

Land improvements	39 years
Buildings and improvements	25–40 years
Furniture and equipment	5–10 years

Property held for sale or future development is carried at the lower of cost or estimated fair value.

Annuities payable

Annuities payable represent amounts due to beneficiaries under various split-interest agreements in which the Diocese is the trustee or custodian. The Diocese holds these funds in trust and pays out annuities, at specified interest rates or income earned on the principal, to the donors or the donor designated beneficiaries of such funds for life. The related assets under these arrangements, totaling \$682,593 and \$602,138 at June 30, 2025 and 2024, respectively, are included in investments in the accompanying statements of financial position. Amounts due are measured at their present value calculated using discount rates ranging from 2.8% to 7.8% and the Internal Revenue Service's (IRS) life expectancy tables.

Self-insurance reserves

As more fully described in Note 9, the Diocese maintains self-insurance programs for property, general liability, and workers' and unemployment compensation insurance. Participating entities are charged premiums based upon the estimated costs of the programs, including insurance premiums paid for stop-loss coverage, self-insured claims expenses, and professional program administration. Self-insurance claim liabilities reflect the estimated costs (including estimated loss development and loss adjustment expense) for claims incurred under the various lines of coverage and are recorded at the estimated ultimate payment amounts. The liabilities relating to the property, general liability and workers' and unemployment compensation insurance policies are based on historical claims experience. These liabilities include specific claims reserves and estimates incurred but not reported amounts which are calculated annually by an actuary and adjusted to the related actuarial computation.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Diocese' management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances.

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Description of Activities and Summary of Significant Accounting Policies, Continued**

Use of estimates, continued

The Diocese believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Guarantee of indebtedness reserve

The Diocese is the guarantor of loans and accrued interest to parishes and other Diocesan entities issued by the SFT which approximated \$20,805,000 for 27 loans and \$19,652,000 for 27 loans as of June 30, 2025 and 2024, respectively. The Diocese annually reviews the financial projections of the parishes and other Diocesan entities to determine whether the loan obligations are able to be fulfilled. Based upon management's review, the Diocese determined that as of June 30, 2025 and 2024, a reserve liability for certain loans and accrued interest guarantees of \$837,533 and \$852,549, respectively, is necessary for these loans and accrued interest guarantees.

Income taxes

In an annually updated ruling, the IRS ruled that 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 the federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Diocese of Palm Beach is listed in "The Official Catholic Directory" and, therefore, is exempt from income tax. Accordingly, the accompanying financial statements reflect no provision for income taxes.

Long-lived assets

Management assesses the recoverability of its long-lived assets, which consist primarily of property and equipment with finite useful lives, whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Fair value disclosures

The Diocese discloses the fair value of financial instruments for which it is practicable to estimate fair value. The fair value of the Diocese's cash and cash equivalents, receivables, and liabilities approximates their carrying values due to their short-term nature.

Special events

Special events represent events undertaken to raise funds for the benefit of educational programs. Support from special events is reported net of the related expenses in the statement of activities as net assets with donor restrictions, or net assets without donor restrictions, as appropriate. Support is recognized in accordance with the Diocese's contributions policy and related expenses are recorded as incurred.

Expense recognition and allocation

The cost of providing the Diocese' ministries and programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific ministry or support service are charged directly to that ministry or support service. Costs common to multiple functions such as utilities, maintenance and related costs are allocated on a square footage basis dependent upon the ministry, programs and supporting activities occupying the space.

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Description of Activities and Summary of Significant Accounting Policies, Continued**

Expense recognition and allocation, continued

Management periodically evaluates the basis on which costs are allocated when new space or programs are added. Administration expenses include those costs that are not directly identifiable with any specific ministry or program, but which provide overall support and direction of the Diocese.

Reclassifications

Certain amounts in the 2024 financial statements were reclassified to conform to the presentation in the 2025 financial statements.

Comparative financial information

The financial statements include certain prior year summarized comparable information in total. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Diocese financial statements for the year ended June 30, 2024, from which the summarized information was derived.

**Note 2 – Financial Assets and Liquidity Resources**

As of June 30, 2025 and 2024, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses were as follows:

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 36,461,094	\$ 26,264,921
Investments	73,019,598	68,398,139
Receivables from Diocesan entities	2,753,754	2,412,164
Pledges receivable – due in one year	315,000	420,000
Other receivables, net	<u>161,812</u>	<u>188,957</u>
Total financial assets	112,711,258	97,684,181
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 16)	(36,536,186)	(36,512,895)
Donor-restricted endowment (Note 16)	<u>(17,140,690)</u>	<u>(16,021,012)</u>
Total financial assets available for general operating expenditures within one year	<u>\$ 59,034,382</u>	<u>\$ 45,150,274</u>

The Diocese investments include donor-restricted funds and donor-restricted endowment funds. Income from donor-restricted funds is restricted for specific purposes and, therefore, is not available for general expenditure.

**Note 3 – Diocese of Palm Beach Savings Fund Trust – Guarantee of Indebtedness Reserve**

The Bishop guarantees loans made by the Diocese of Palm Beach Savings Fund Trust (SFT) to certain Diocesan entities. During the years ended June 30, 2025 and 2024, the Diocese recorded changes to its guarantee of indebtedness reserve in the amounts of (\$15,016) and \$213,500, respectively, based on its evaluation of collectability of certain of the underlying guaranteed loans and related accrued interest. During the years ended June 30, 2025 and 2024, the Diocese made principal payments to the SFT for certain guaranteed loans in the amounts of \$0 and \$670,349, respectively.

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 3 – Diocese of Palm Beach Savings Fund Trust – Guarantee of Indebtedness, Continued**

Summarized financial information for the SFT as of June 30, 2025 and 2024, and for the years then ended is presented below:

	For the Year Ended June 30,	
	2025	2024
Revenue and investment returns	\$ 17,640,187	\$ 16,361,995
Cost and expenses	<u>6,770,296</u>	<u>6,329,306</u>
Increase in net assets	<u>\$ 10,869,891</u>	<u>\$ 10,032,689</u>
	As of June 30,	
	2025	2024
Assets:		
Cash and equivalents	\$ 22,392,991	\$ 13,868,835
Portfolio investments	218,885,469	207,195,897
Loans receivable, net	20,804,637	19,652,531
Accrued interest receivable on loans, net	<u>471,598</u>	<u>374,622</u>
Total assets	<u>\$ 262,554,695</u>	<u>\$ 241,091,885</u>
Liabilities:		
Savings deposits – Diocesan entities	\$ 229,138,426	\$ 218,548,043
Accrued expenses	<u>45,818</u>	<u>43,282</u>
Total liabilities	229,184,244	218,591,325
Net assets – without donor restrictions	<u>33,370,451</u>	<u>22,500,560</u>
Total liabilities and net assets	<u>\$ 262,554,695</u>	<u>\$ 241,091,885</u>

Balances and transactions with SFT

The following is a summary of balances and transactions between the Diocese and SFT as of and for the years ended June 30, 2025 and 2024:

	2025	2024
For the year ended:		
Guarantee of indebtedness adjustment, net of payments	<u>\$ (15,016)</u>	<u>\$ 456,848</u>
Program revenue – administrative fee	<u>\$ 142,000</u>	<u>\$ 134,000</u>
Interest income on savings deposits	<u>\$ 947,737</u>	<u>\$ 911,512</u>
At year end:		
Assets –		
Savings Fund Trust deposits (included in cash and cash equivalents)	<u>\$ 33,910,460</u>	<u>\$ 25,054,970</u>
Liabilities –		
Guarantee of indebtedness reserve – loans	\$ 537,722	\$ 552,738
Guarantee of indebtedness reserve – accrued interest	<u>299,811</u>	<u>299,811</u>
Total	<u>\$ 837,533</u>	<u>\$ 852,549</u>

Credit facility

The Diocese guarantees a \$5,000,000 credit facility that the SFT has in place with a financial institution. There were no outstanding borrowings under the credit facility at June 30, 2025.

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 4 – Investments**

A summary of investments, by investment type, at June 30, 2025 and 2024 follows:

	<u>2025</u>	<u>2024</u>
Marketable equity securities	\$ 44,506,868	\$ 41,891,369
U.S. government and municipal bonds	18,895,360	12,189,536
Corporate bonds	6,121,492	5,152,506
Certificates of deposit	98,428	488,852
Money market funds	<u>3,397,450</u>	<u>8,675,876</u>
Total	<u>\$ 73,019,598</u>	<u>\$ 68,398,139</u>

The following schedule summarizes the net investment return on investments for the years ended June 30, 2025 and 2024, and its classification in the accompanying statement of activities:

	<u>2025</u>	<u>2024</u>
Dividend and interest income	\$ 523,373	\$ 389,260
Realized gains, net	7,180,867	1,519,196
Unrealized (loss) gain, net	<u>(2,147,927)</u>	<u>5,397,665</u>
Net investment return	<u>\$ 5,556,313</u>	<u>\$ 7,306,121</u>

**Note 5 – Other Receivables, net**

Other receivables, net are summarized as follows at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Program services	\$ 66,932	\$ 96,246
Insurance billings receivable	<u>574,880</u>	<u>572,711</u>
	641,812	668,957
Less: allowance for credit losses	<u>(480,000)</u>	<u>(480,000)</u>
Other receivables, net	<u>\$ 161,812</u>	<u>\$ 188,957</u>

Allowance for credit losses

As of and for the years ended June 30, 2025 and 2024, the allowance for credit losses for other receivables is as follows:

	<u>2025</u>	<u>2024</u>
Beginning of year	\$ 480,000	\$ 365,000
Provision for credit losses	<u>-</u>	<u>115,000</u>
End of year	<u>\$ 480,000</u>	<u>\$ 480,000</u>

**Note 6 – Pledges Receivable, Net**

As of June 30, 2025 and 2024, pledge and bequest contributions consists of scholarship endowments to be awarded to students attending Diocesan schools.



**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 6 – Pledges Receivable, Net, Continued**

Pledges receivable, net as of June 30, 2025 and 2024, are due as follows:

	2025	2024
Pledges and bequest due:		
In less than one year	\$ 315,000	\$ 420,000
In one to five years	<u>315,000</u>	<u>630,000</u>
	630,000	1,050,000
Less: present value discount	<u>(64,775)</u>	<u>(124,560)</u>
	<u>\$ 565,225</u>	<u>\$ 925,440</u>

The Diocese applies a discount rate of 3.01% to its pledges with terms in excess of one year.

**Note 7 – Fair Value Measurements**

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. In determination of fair value, a fair value hierarchy was established which gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described more fully below:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models and other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Diocese' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Diocese has determined the estimated fair value amounts presented in the accompanying financial statements using available market information and appropriate methodologies on a consistent basis. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in the accompanying financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimates fair value amounts. The Diocese bases these fair value estimates on relevant information available to them as of the end of each reporting period or at the time such amounts are recorded.

*Marketable equity securities* – consists of individual common stocks and mutual funds which are valued at the closing price reported on active markets on which the individual securities are traded.

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 7 – Fair Value Measurements, Continued**

*U.S. government and municipal bonds* – fair values are based on quoted prices for similar U.S. government and municipal bonds in active markets; and inputs other than quoted prices, e.g. yield curves and interest rates.

*Corporate bonds* – corporate bonds are valued based on the last trade price of the fiscal year. When a bond has not been traded on the last day of the fiscal year, the price is obtained from an independent third party pricing company (Level 2 inputs).

*Money market funds* – fair value is measured based on the quoted market price for the money market fund. The money market fund always has a net asset value of \$1.

*Certificates of deposit* – determined using the contractual cash flows, current market rates or certificates of deposit with a similar remaining time to maturity (Level 2 inputs). The Diocese intends to hold the certificates to their maturity.

The following tables summarize fair value measurements, by level, for assets and liabilities measured at fair value, on a recurring basis, as of June 30, 2025 and 2024:

Fair Value Measurements at June 30, 2025				
	Level 1	Level 2	Level 3	Total
<b>Investments:</b>				
Marketable equity securities	\$ 44,506,868	\$ -	\$ -	\$ 44,506,868
U.S. government and municipal bonds	-	18,895,360	-	18,895,360
Corporate bonds	-	6,121,492	-	6,121,492
Certificates of deposit	-	98,428	-	98,428
Money market funds	3,397,450	-	-	3,397,450
Total investments, at fair value	<u>\$ 47,904,318</u>	<u>\$ 25,115,280</u>	<u>\$ -</u>	<u>\$ 73,019,598</u>
<b>Liabilities:</b>				
Annuities payable	<u>\$ -</u>	<u>\$ (143,264)</u>	<u>\$ -</u>	<u>\$ (143,264)</u>
Fair Value Measurements at June 30, 2024				
	Level 1:	Level 2:	Level 3:	Total
<b>Investments:</b>				
Marketable equity securities	\$ 41,891,369	\$ -	\$ -	\$ 41,891,369
U.S. government securities and municipal bonds	-	12,189,536	-	12,189,536
Corporate bonds	-	5,152,506	-	5,152,506
Certificates of deposit	-	488,852	-	488,852
Money market funds	8,675,876	-	-	8,675,876
Total investments, at fair value	<u>\$ 50,567,245</u>	<u>\$ 17,830,894</u>	<u>\$ -</u>	<u>\$ 68,398,139</u>
<b>Liabilities:</b>				
Annuities payable	<u>\$ -</u>	<u>\$ (137,243)</u>	<u>\$ -</u>	<u>\$ (137,243)</u>

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 8 – Property and Equipment**

Property and equipment consists of the following at June 30, 2025 and 2024:

	2025	2024
Land and land improvements	\$ 13,050,526	\$ 15,119,479
Buildings and improvements	15,299,019	15,137,359
Furniture and equipment	<u>2,466,944</u>	<u>2,329,864</u>
Subtotal	30,816,489	32,586,702
Less: accumulated depreciation	<u>(11,191,638)</u>	<u>(10,862,028)</u>
Total property and equipment, net	<u>\$ 19,624,851</u>	<u>\$ 21,724,674</u>

Included in land and land improvements are certain unimproved parcels that the Diocese may sell or use as sites for future churches.

During 2025, two unimproved parcels of land in Palm Beach County, Florida were sold for an aggregate sales price of \$14,620,800, less closing costs, and net proceeds of approximately \$14,213,000.

**Note 9 – Self-Insurance Reserves**

The Diocese of Palm Beach maintains a self-insurance plan for property, general liability, workers' compensation, personal injury, and unemployment compensation insurance for Diocesan entities. Under these programs, each Diocesan entity is billed for self-insurance program contributions representing its share of the estimated costs of claims, administration fees and excess coverage insurance policy premiums. Amounts due from Diocesan entities is included in other receivables in the accompanying consolidated statement of financial position as of June 30, 2025 and 2024.

The self-insurance plan includes an excess of loss insurance coverage purchased from outside insurance carriers. Generally, amounts are recoverable under this coverage after the amount of a specific claim has exceeded a specified retention limit. The self-insurance plan provides for an aggregate loss sharing arrangement (the arrangement) among many dioceses in the State of Florida for claims arising from automobile and workers' compensation matters.

The arrangement provides that each diocese will reimburse the other program participants for losses in a particular claim year that exceed an agreed-upon amount. The arrangement is designed to provide each of the participants with an additional layer of protection from abnormally large or catastrophic losses during a given claim year.

Provision has been made for the settlement of all incurred claims, both reported and unreported, for each open claim year. The self-insurance reserves represent the estimated total cost of claims incurred but not settled at June 30, 2025 and 2024. Reserve estimates for reported claims are primarily determined by evaluation of individual reported claims by the plan's third-party administrator. Reserve estimates for claims incurred, but not reported, are based on prior experience and the advice of an independent actuarial consultant. The methods for making such estimates, and for establishing the resulting liabilities, are periodically reviewed and updated by management.

During the years ended June 30, 2025 and 2024, the Diocese received \$330,985 and \$568,321, respectively, of recoveries on claims that are included as a reduction of self-insurance program expense in the accompanying statement of activities.

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 10 – Employee Benefits**

Pension Plan

The Diocese participates in a multi-employer master retirement pension plan established by the Diocese of Palm Beach to provide retirement benefits for lay workers and religious personnel of Catholic organizations within the Diocese of Palm Beach. Because the computed value of the vested benefits and pension plan assets for the Diocese' participants cannot be separated from those of other Diocesan entities and affiliates participating in the pension plan, it is not possible to determine the portion of the excess or deficiency which may be attributable solely to the Diocese. During 2012, the Restated Pension Plan for Employees and Sisters and Brothers (Lay Plan) within the Diocese of Palm Beach was formally amended and, as of July 1, 2012, the accrual of benefits for all lay employees of the Lay Plan ceased and such benefits were frozen. Total retirement expense charged to the Diocese under the pension plan for the years ended June 30, 2025 and 2024, approximated \$351,415 and \$382,000, respectively. For each of the years ended June 30, 2025 and 2024, the Diocese contributed an additional \$500,000 to the Lay Pension Plan above the amount required which is separately presented in the accompanying statement of activities. For the year ended June 30, 2025, the Diocese contributed an additional \$4,000,000 to the Restated Pension Plan for Priests (Priest Plan) within the Diocese of Palm Beach above the amount required which is also included in the separate presentation in the accompanying statement of activities. No such additional contributions to the Priest Plan were made during the year ended June 30, 2024.

403(b) Plan

The Diocese maintains a defined contribution plan under section 403(b) of the IRC (403(b) Plan) which provides for employee contributions up to certain specified limits. The Diocese contributes 5% of the employees' salary and an additional maximum 2% of the employees' elective deferrals into the 403(b) Plan. Total retirement expense incurred under the 403(b) Plan for the years ended June 30, 2025 and 2024, approximated \$355,000 and \$338,000, respectively.

Health Plan

The Diocese participates in a major medical, comprehensive dental, long-term disability, life insurance, accidental death and dismemberment benefits plan through the Diocese of Palm Beach Health Plan Trust (the Trust), established by the Diocese of Palm Beach. Contributions to the Trust approximated \$997,000 and \$1,022,000 for the years ended June 30, 2025 and 2024, respectively.

Post-employment benefit obligation

The Diocese provides certain post-employment benefits to former clergy to supplement their pension benefits and provide certain health and other insurance coverage. The Diocese records a post-employment benefit obligation for the estimated discounted future cost of the benefits and annually reviews the adequacy of the obligation.

The post-employment benefit obligation is unfunded and calculated using the IRS life expectancy tables and a 5% discount rate. As of June 30, 2025 and 2024, the post-employment benefit obligation was \$314,367 and \$420,013, respectively.

**Note 11 – Special Events**

Special events revenue and related expenses for the years ended June 30, 2025 and 2024, includes the following:

	<u>2025</u>	<u>2024</u>
Event proceeds	\$ 617,780	\$ 621,040
Direct event expenses	<u>21,248</u>	<u>19,681</u>
Net	<u>\$ 596,532</u>	<u>\$ 601,359</u>

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 12 – Legal Proceedings**

The Diocese is a party to various litigation and other claims in the ordinary course of conducting its activities. The Diocese recognizes liabilities for legal proceedings when a loss is probable and estimable. In the event that a loss is probable and estimable within a range, the Diocese accrues the amount most likely to be incurred. Management does not believe that the outcome of these litigation matters will have a material impact on the financial condition of the Diocese. Accordingly, there is no accrual for legal proceedings at June 30, 2025 and 2024.

**Note 13 – Leases**

As Lessee:

The Diocese is obligated under various operating equipment leases. Rent expense under all operating leases for the years ended June 30, 2025 and 2024, totaled \$54,074 and \$49,760, respectively.

As Lessor:

The Diocese leases the use of its community ministry facilities located in Riviera Beach, Florida to the Catholic Charities of the Diocese of Palm Beach, Inc. (Catholic Charities), under a non-cancelable operating lease expiring in 2032 which automatically renews for successive one-year terms. The Diocese, under the terms of the lease, will receive \$10 annually through 2032. As of June 30, 2025 and 2024, the cost net of the related accumulated depreciation of the ministry facility and improvements made thereto amounted to \$2,602,285 and \$2,660,728, respectively.

The Diocese annually budgets for substantial subsidies to Catholic Charities and, therefore, only recognizes as a promise to give the operating lease commitment for the following year. Contributed use of facilities is included in the accompanying statement of activities under social service programs in the amount of \$204,000 for each of the years ended June 30, 2025 and 2024.

**Note 14 – Cemetery Care Agreement**

Funds for the continuous care of Our Lady Queen of Peace Cemetery (the Cemetery), a separately reporting Diocesan entity, are accumulated pursuant to a Perpetual Care and Maintenance Agreement, dated May 1, 1991 (the Agreement). Under the Agreement, the Cemetery remits 10% of its net cash receipts from sales of burial rights, entombment rights, and internment rights to the Diocese.

The Cemetery may use related earnings and, if necessary, deposits for the perpetual care and upkeep of the Cemetery. The Cemetery care deposits and related earnings are recorded in net assets with donor restrictions in the accompanying statement of activities.

**Note 15 – Commitments**

The Diocese guarantees certain equipment leases entered into by various Diocesan entities. The aggregate amount of such guarantees approximated \$70,000 as of June 30, 2025. No amounts are recognized in the accompanying financial statements relating to these guarantees.

**Note 16 – Restricted Net Assets and Endowment**

The Diocese's endowment is established for the purposes expressed in the mission of the Diocese. The Diocese's endowment consists of donor-restricted endowment funds and, periodically, funds designated by the Finance Council to function as internally designated endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 16 – Restricted Net Assets and Endowment, Continued**

Net assets with donor restrictions consist of the following at June 30, 2025 and 2024:

	2025	2024
Time and purpose restrictions:		
Diocesan services appeal	\$ 2,753,754	\$ 2,412,164
Education and scholarships (endowment)	1,913,449	1,717,303
Education and scholarships (non-endowment)	4,734,285	5,265,734
Seminarian	162,751	258,292
Ministry and social services (endowment)	7,093,019	6,169,487
Ministry and social services (non-endowment)	512,084	541,082
Cemetery care deposits and earnings (Note 14)	6,830,547	6,323,849
Skaff senior housing	21,542,765	21,711,774
Perpetual in nature:		
Seminary Burse Fund	6,512,892	6,512,892
Education Fund	<u>1,621,330</u>	<u>1,621,330</u>
	<u>\$ 53,676,876</u>	<u>\$ 52,533,907</u>

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Diocese to retain as a fund of perpetual duration. Any losses are recorded as reductions in net assets with donor restrictions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions.

Interpretation of relevant law

The Diocese follows the State of Florida Prudent Management of Institutional Funds Act (FUPMIFA) which requires management to use reasonable care, skill and caution as exercised by a prudent investor in considering the investment management and expenditures of endowment funds, absent explicit donor stipulations to the contrary.

Return objectives and risk parameters

The Diocese has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Diocese must hold in perpetuity. Under this policy, as approved by the Finance Council, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of multiple benchmarks based on the type of investment while assuming a moderate to low level of investment risk and providing a necessary level of liquidity.

The Diocese expects its endowment funds, over time, to exceed the rate of return of specified investment benchmarks described in the endowment's investment policy. Actual returns in any given year may vary from these amounts.

Strategies employed to achieve objectives

To satisfy its long-term rate-of-return objectives, 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). The Diocese targets a diversified allocation to achieve its long-term return objectives within prudent risk constraints.

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 16 – Restricted Net Assets and Endowment, Continued**

Spending policy

The Diocese has set spending policies for endowments. The Diocese' policy is to appropriate amounts for distribution each year. Such amounts are determined by the Diocese' calculation for disbursements as determined by the application of the target spending rate to the moving average of the total market value of the endowment at the end of the previous twelve calendar quarters. The spending formula is applied annually. The Diocese' policy allows for spending from underwater endowment funds, if necessary. The Diocese target spending rate is set at 4% and is applied to the total endowment market value using a total return approach. This is consistent with the objective to maintain the purchasing power of the endowment assets held to provide additional real growth through investment return.

The following represents changes in endowment net assets for the year ended June 30, 2025:

	Accumulated Gains	Original Gift Held in Perpetuity	Total
Net endowment assets, beginning of year:	\$ 7,886,790	\$ 8,134,222	\$ 16,021,012
Investment return:			
Investment income, net	301,718	-	301,718
Net appreciation	<u>1,316,465</u>	<u>-</u>	<u>1,316,465</u>
Total investment return	<u>1,618,183</u>	<u>-</u>	<u>1,618,183</u>
Appropriations and other expenditures	<u>(498,505)</u>	<u>-</u>	<u>(498,505)</u>
Net endowment assets, end of year	<u>\$ 9,006,468</u>	<u>\$ 8,134,222</u>	<u>\$ 17,140,690</u>

**Note 17 – Net Assets Released from Restrictions**

During the years ended June 30, 2025 and 2024, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors, as follows:

	2025	2024
Diocesan services appeal	\$ 10,203,767	\$ 9,960,856
Senior housing	2,000,000	-
Education and scholarships	1,622,252	1,378,541
Program and social services	<u>791,614</u>	<u>1,034,597</u>
Total	<u>\$ 14,617,633</u>	<u>\$ 12,373,994</u>

**Note 18 – Skaff Senior Housing Fund**

The Skaff Senior Housing fund consists of bequests specified to be used for Catholic senior housing. The net assets of the Skaff Senior Housing Fund are classified as net assets with donor restrictions. The funds relating to Catholic senior housing will remain in various investments and interest-bearing accounts using prudent management of these funds until they are expended for Catholic senior housing.

**DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 18 – Skaff Senior Housing Fund, Continued**

On July 9, 2021, the Diocese entered into a conditional grant agreement with the Carmelite Sisters for the Aged and Infirm together with Lourdes-Noreen McKeen Residence for Geriatric Care, Inc. (Noreen McKeen Residence). Under the terms of the agreement, Noreen McKeen Residence will use the funds for construction and/or renovation of its residences along with the renovation of its chapel and certain naming rights. For the year ended June 30, 2025, the Diocese made grant awards to Noreen McKeen Residence of approximately \$2,000,000. The total grant award is conditional upon the satisfaction of certain requirements on Noreen McKeen which are stipulated in the grant award.

**Note 19 – Agency Transactions**

The Diocese undertakes certain fundraising activities for which it receives gifts that the donor designates for another entity. These are considered agency transactions, not contributions to the Diocese. Upon receipt, the Diocese recognizes a liability to the designated beneficiary of the gift.

**Note 20 – Concentrations**

Financial instruments which potentially subject the Diocese to concentrations of credit risk include the Diocese's cash and cash equivalent accounts, SFT deposits, portfolio debt securities, and receivables from Diocesan entities. The Diocese places its cash and cash equivalents with high credit-quality financial institutions. Such balances may exceed the FDIC insurance limit. Management regularly monitors all of its deposits, investments and lending activities to limit its credit risk exposure. Cash and cash equivalents exceeded the FDIC insured limit by \$469,591 and \$368,034 as of June 30, 2025 and 2024, respectively. In addition, balances held in uninsured investment accounts totaled \$33,910,460 and \$25,054,970 as of June 30, 2025 and 2024, respectively.

The Diocese serves and receives substantial financial support from parishioners in the five-county region of South and Central Florida. Accordingly, the financial strength of the Diocese is in large part reliant upon the general state of the local economy.

**Note 21 – Subsequent Events**

The Diocese evaluated its activities occurring subsequent to June 30, 2025 through October 16, 2025, the date on which the financial statements were available to be issued, for events that should be recorded in the financial statements or disclosed in the footnotes thereto.



## **SUPPLEMENTARY INFORMATION**

**DIOCESE OF PALM BEACH, INC.**  
**SCHEDULE OF FINANCIAL POSITION, BY FUND**  
**June 30, 2025**

	Operating Fund	Plant Fund	Self- Insurance Fund	Skaff Senior Housing Fund	Eliminating Entries	Total Combined
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,939,783	\$ 7,411,985	\$ 14,994,350	\$ 1,114,976	\$ -	\$ 36,461,094
Investments	52,591,811	-	-	20,427,787	-	73,019,598
Pledges receivable, net	565,225	-	-	-	-	565,225
Receivables from Diocesan entities	2,753,754	-	-	-	-	2,753,754
Other receivables, net	66,932	-	94,880	-	-	161,812
Other assets and prepaid expenses	142,648	-	4,175,794	-	-	4,318,442
Property and equipment, net	-	19,624,851	-	-	-	19,624,851
Due from other funds	-	1,940,631	-	1,737,976	(3,678,607)	-
Total assets	<u>\$ 69,060,153</u>	<u>\$ 28,977,467</u>	<u>\$ 19,265,024</u>	<u>\$ 23,280,739</u>	<u>\$ (3,678,607)</u>	<u>\$ 136,904,776</u>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities:						
Accounts payable						
and accrued expenses	\$ 2,674,398	\$ 40,755	\$ 63,889	\$ -	\$ -	\$ 2,779,042
Self-insurance reserves	-	-	1,545,071	-	-	1,545,071
Annuities payable	143,264	-	-	-	-	143,264
Post-employment						
benefit obligation	314,367	-	-	-	-	314,367
Guarantee of indebtedness reserve	837,533	-	-	-	-	837,533
Due to other funds	<u>3,678,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,678,607)</u>	<u>-</u>
Total liabilities	7,648,169	40,755	1,608,960	-	(3,678,607)	5,619,277
Net assets	<u>61,411,984</u>	<u>28,936,712</u>	<u>17,656,064</u>	<u>23,280,739</u>	<u>-</u>	<u>131,285,499</u>
Total liabilities and net assets	<u>\$ 69,060,153</u>	<u>\$ 28,977,467</u>	<u>\$ 19,265,024</u>	<u>\$ 23,280,739</u>	<u>\$ (3,678,607)</u>	<u>\$ 136,904,776</u>

**DIOCESE OF PALM BEACH, INC.**  
**SCHEDULE OF FINANCIAL POSITION, BY FUND**  
**June 30, 2024**

	Operating Fund	Plant Fund	Self- Insurance Fund	Skaff Senior Housing Fund	Eliminating Entries	Total Combined
<b>ASSETS</b>						
Cash and cash equivalents	\$ 11,152,079	\$ 1,664,791	\$ 12,360,576	\$ 1,087,475	\$ -	\$ 26,264,921
Investments	47,773,840	-	-	20,624,299	-	68,398,139
Pledges receivable, net	925,440	-	-	-	-	925,440
Receivables from Diocesan entities	2,412,164	-	-	-	-	2,412,164
Other receivables, net	96,246	-	92,711	-	-	188,957
Other assets and prepaid expenses	184,074	-	3,952,223	-	-	4,136,297
Property and equipment, net	-	21,724,674	-	-	-	21,724,674
Due from other funds	<u>6,132,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,132,624)</u>	<u>-</u>
Total assets	<u>\$ 68,676,467</u>	<u>\$ 23,389,465</u>	<u>\$ 16,405,510</u>	<u>\$ 21,711,774</u>	<u>\$ (6,132,624)</u>	<u>\$ 124,050,592</u>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities:						
Accounts payable						
and accrued expenses	\$ 2,799,086	\$ 77,117	\$ 68,526	\$ -	\$ -	\$ 2,944,729
Self-insurance reserves	-	-	1,862,604	-	-	1,862,604
Annuities payable	137,243	-	-	-	-	137,243
Post-employment						
benefit obligation	420,013	-	-	-	-	420,013
Guarantee of indebtedness reserve	852,549	-	-	-	-	852,549
Due to other funds	<u>-</u>	<u>5,898,099</u>	<u>-</u>	<u>234,525</u>	<u>(6,132,624)</u>	<u>-</u>
Total liabilities	4,208,891	5,975,216	1,931,130	234,525	(6,132,624)	6,217,138
Net assets	<u>64,467,576</u>	<u>17,414,249</u>	<u>14,474,380</u>	<u>21,477,249</u>	<u>-</u>	<u>117,833,454</u>
Total liabilities and net assets	<u>\$ 68,676,467</u>	<u>\$ 23,389,465</u>	<u>\$ 16,405,510</u>	<u>\$ 21,711,774</u>	<u>\$ (6,132,624)</u>	<u>\$ 124,050,592</u>

**DIOCESE OF PALM BEACH, INC.**  
**SCHEDULE OF ACTIVITIES, BY FUND**  
**For the Year Ended June 30, 2025**

	Operating Funds	Plant Fund	Self- Insurance Fund	Skaff Senior Housing Fund	Eliminating Entries	Combined
Support and revenue:						
Diocesan services appeal	\$ 10,545,358	\$ -	\$ -	\$ -	\$ -	\$ 10,545,358
Contributions and bequests	1,396,197	-	-	-	-	1,396,197
Cemetery care deposits	342,675	-	-	-	-	342,675
Program revenue	2,378,452	-	-	-	(783,000)	1,595,452
Self-insurance program revenue	-	-	10,334,342	-	(444,403)	9,889,939
Interest and dividend income	916,857	-	392,233	661,372	-	1,970,462
Special events, net of direct expenses	596,532	-	-	-	-	596,532
Rental income - in-kind	204,000	-	-	-	-	204,000
Other income (expense), net	97,429	-	40,454	-	-	137,883
Total support and revenue	16,477,500	-	10,767,029	661,372	(1,227,403)	26,678,498
Expenses:						
Program services:						
Pastoral	1,451,559	-	-	-	(19,353)	1,432,206
Religious personnel development	1,211,169	-	-	-	(14,354)	1,196,815
Education and faith programs	3,749,271	-	-	-	(17,235)	3,732,036
Missions support	2,624,524	-	-	-	(243,241)	2,381,283
Self-insurance program	-	-	7,585,345	-	(783,000)	6,802,345
Social service programs	5,448,942	-	-	-	(17,669)	5,431,273
Total program services	14,485,465	-	7,585,345	-	(1,094,852)	20,975,958
Supporting services:						
Diocesan administration	4,212,155	-	-	-	(44,384)	4,167,771
Plant, facility, and construction management	565,068	837,564	-	-	(88,167)	1,314,465
Total expenses	19,262,688	837,564	7,585,345	-	(1,227,403)	26,458,194
Change in net assets						
before non-operating activities	(2,785,188)	(837,564)	3,181,684	661,372	-	220,304
Change in guarantee of indebtedness reserve	(290,245)	-	-	-	-	(290,245)
Net investment return	4,414,195	-	-	1,142,118	-	5,556,313
Gain on sales of property, net	-	12,360,027	-	-	-	12,360,027
Change in post-employment benefit obligation	105,646	-	-	-	-	105,646
Contributions to Priest and Lay Pension Plans	(4,500,000)	-	-	-	-	(4,500,000)
Change in net assets	(3,055,592)	11,522,463	3,181,684	1,803,490	-	13,452,045
Net assets, beginning of year	64,467,576	17,414,249	14,474,380	21,477,249	-	117,833,454
Net assets, end of year	\$ 61,411,984	\$ 28,936,712	\$ 17,656,064	\$ 23,280,739	\$ -	\$ 131,285,499

**DIOCESE OF PALM BEACH, INC.**  
**SCHEDULE OF ACTIVITIES, BY FUND**  
**For the Year Ended June 30, 2024**

	Operating Funds	Plant Fund	Self- Insurance Fund	Skaff Senior Housing Fund	Eliminating Entries	Combined
Support and revenue:						
Diocesan services appeal	\$ 10,156,690	\$ -	\$ -	\$ -	\$ -	\$ 10,156,690
Contributions and bequests	1,387,439	-	-	-	-	1,387,439
Cemetery care deposits	323,349	-	-	-	-	323,349
Program revenue	2,142,861	-	-	-	(798,000)	1,344,861
Self-insurance program revenue	-	-	8,886,450	-	(375,948)	8,510,502
Interest and dividend income	860,000	-	357,559	640,207	-	1,857,766
Special events, net of direct expenses	601,359	-	-	-	-	601,359
Rental income - in-kind	204,000	-	-	-	-	204,000
Other income (expense), net	<u>7,577</u>	<u>4,200</u>	<u>17,660</u>	<u>-</u>	<u>-</u>	<u>29,437</u>
Total support and revenue	<u>15,683,275</u>	<u>4,200</u>	<u>9,261,669</u>	<u>640,207</u>	<u>(1,173,948)</u>	<u>24,415,403</u>
Expenses:						
Program services:						
Pastoral	1,469,216	-	-	-	(14,904)	1,454,312
Religious personnel development	1,269,621	-	-	-	(14,276)	1,255,345
Education and faith programs	3,532,519	-	-	-	(15,773)	3,516,746
Missions support	2,808,218	-	-	-	(203,234)	2,604,984
Self-insurance program	-	-	8,464,114	-	(798,000)	7,666,114
Social service programs	<u>3,374,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,842)</u>	<u>3,359,490</u>
Total program services	12,453,906	-	8,464,114	-	(1,061,029)	19,856,991
Supporting services:						
Diocesan administration	3,889,602	-	-	792	(34,801)	3,855,593
Plant, facility, and construction management	<u>546,805</u>	<u>931,170</u>	<u>-</u>	<u>-</u>	<u>(78,118)</u>	<u>1,399,857</u>
Total expenses	<u>16,890,313</u>	<u>931,170</u>	<u>8,464,114</u>	<u>792</u>	<u>(1,173,948)</u>	<u>25,112,441</u>
Change in net assets						
before non-operating activities	(1,207,038)	(926,970)	797,555	639,415	-	(697,038)
Change in guarantee of indebtedness reserve	(213,500)	-	-	-	-	(213,500)
Net investment return	6,436,864	-	-	869,257	-	7,306,121
Change in post-employment benefit obligation	122,494	-	-	-	-	122,494
Contributions to Lay Pension Plan	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
Change in net assets	4,638,820	(926,970)	797,555	1,508,672	-	6,018,077
Net assets, beginning of year	<u>59,828,756</u>	<u>18,341,219</u>	<u>13,676,825</u>	<u>19,968,577</u>	<u>-</u>	<u>111,815,377</u>
Net assets, end of year	<u>\$ 64,467,576</u>	<u>\$ 17,414,249</u>	<u>\$ 14,474,380</u>	<u>\$ 21,477,249</u>	<u>\$ -</u>	<u>\$ 117,833,454</u>