

**DIOCESE OF PENSACOLA – TALLAHASSEE  
ADMINISTRATIVE OFFICES**

**FINANCIAL STATEMENTS**

**JUNE 30, 2025 AND 2024**

**DIOCESE OF PENSACOLA – TALLAHASSEE  
ADMINISTRATIVE OFFICES  
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JUNE 30, 2025 AND 2024**

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## **INDEPENDENT AUDITORS' REPORT**

To The Most Reverend William A. Wack, CSC  
Bishop of the Diocese of Pensacola – Tallahassee

### **Opinion**

We have audited the accompanying financial statements of the Diocese of Pensacola – Tallahassee Administrative Offices (the Diocese), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of June 30, 2025 and 2024, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' 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 auditors' 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, including omissions, 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'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'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.

*Warren Averett, LLC*

Pensacola, Florida  
October 14, 2025

**DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 32,867,476	\$ 36,612,307
Certificate of deposits	5,010,014	-
Investments	100,049,125	96,984,836
Beneficial interest in perpetual trust	1,018,210	998,899
Accounts receivable from related parties, net	1,164,703	1,103,407
Loans receivable from related parties, net	22,895,461	17,335,170
Prepaid expenses and other assets	2,077,329	1,842,799
Cash surrender value of life insurance policies	893,873	798,239
Land, buildings, improvements and equipment, net	20,849,079	19,863,388
Prepaid pension cost	1,579,062	791,554
<b>TOTAL ASSETS</b>	<u><u>\$ 188,404,332</u></u>	<u><u>\$ 176,330,599</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,084,950	\$ 1,969,705
Deposits payable to related parties	68,449,332	64,566,778
Deferred revenue	4,201,334	4,222,661
Reserve for insurance losses	1,814,641	1,002,546
Total liabilities	75,550,257	71,761,690
<b>NET ASSETS</b>		
Without donor restrictions	102,891,523	95,212,640
With donor restrictions	9,962,552	9,356,269
Total net assets	112,854,075	104,568,909
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 188,404,332</u></u>	<u><u>\$ 176,330,599</u></u>

See notes to the financial statements.

**DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	<b>2025</b>	<b>2024</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Support and other revenue		
Parish assessments	\$ 3,401,728	\$ 3,173,942
Catholic Sharing Appeal	3,346,354	2,826,823
Contributions	100,811	54,774
Program revenue	550,836	427,554
Interest income	4,390,550	2,464,892
Insurance premiums	11,592,018	13,079,879
Other income, net	871,474	1,203,483
Net assets released from restrictions	<u>1,277,026</u>	<u>1,336,883</u>
Total support, other revenue and net assets released from restrictions	25,530,797	24,568,230
Expenses		
Program expenses	19,987,419	17,047,885
Diocesan administration	4,026,645	3,043,488
Development expenses	<u>505,083</u>	<u>521,028</u>
Total expenses	<u>24,519,147</u>	<u>20,612,401</u>
Income from operating activities	1,011,650	3,955,829
Nonoperating activities		
Gain on sale of property	4,553	3,233,211
Investment income, net	5,763,539	7,754,118
Net claims expense from Hurricane Michael	-	(1,390)
Pension related changes other than service cost	<u>899,141</u>	<u>916,122</u>
Total changes in nonoperating activities	<u>6,667,233</u>	<u>11,902,061</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	7,678,883	15,857,890
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Support and other revenue – contributions	377,880	418,872
Investment income, net	1,505,429	1,490,311
Net assets released from restrictions	<u>(1,277,026)</u>	<u>(1,336,883)</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>606,283</u>	<u>572,300</u>
<b>CHANGES IN NET ASSETS</b>	8,285,166	16,430,190
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>104,568,909</u>	<u>88,138,719</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 112,854,075</u></u>	<u><u>\$ 104,568,909</u></u>

See notes to the financial statements.

**DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	Program Expenses								
	Ministry	Education Seminarians & Vocations	Self-Insurance Program	Deposit & Loan Activities	Plant Activities	Total Program	Development	Diocesan Administration	Total
Compensation and benefits	\$ 801,845	\$ 1,250,908	\$ 117,274	\$ 1,616	\$ -	\$ 2,171,643	\$ 218,794	\$ 2,259,707	\$ 4,650,144
Direct program expense	359,954	63,442	-	-	-	423,396	-	155,684	579,080
Subsidies	1,260,638	9,537	-	-	-	1,270,175	-	-	1,270,175
Computer hardware and software	12,612	99,033	-	2,400	-	114,045	5,686	588,053	707,784
Education and training	61,129	531,837	-	-	-	592,966	-	3,080	596,046
Office supplies, postage and dues	46,908	18,210	119	52,925	23,083	141,245	6,960	207,779	355,984
Media and advertising	2,139	-	-	-	-	2,139	-	-	2,139
Rentals and repairs	5,754	827	-	-	161,837	168,418	-	111,957	280,375
Services	116,706	40,331	15,586	24,851	5,245	202,719	268,911	284,263	755,893
Travel and conferences	29,109	38,791	9,617	-	-	77,517	3,389	62,190	143,096
Utilities and communications	20,105	2,684	849	-	40,234	63,872	1,214	138,554	203,640
Other	21,133	619	-	-	172,114	193,866	129	215,378	409,373
Insurance premiums and claims	-	-	11,742,540	-	-	11,742,540	-	-	11,742,540
Interest paid on deposits	-	-	-	2,234,777	-	2,234,777	-	-	2,234,777
Depreciation	-	-	-	-	588,101	588,101	-	-	588,101
<b>TOTAL EXPENSES</b>	<b>\$ 2,738,032</b>	<b>\$ 2,056,219</b>	<b>\$ 11,885,985</b>	<b>\$ 2,316,569</b>	<b>\$ 990,614</b>	<b>\$ 19,987,419</b>	<b>\$ 505,083</b>	<b>\$ 4,026,645</b>	<b>\$ 24,519,147</b>

See notes to the financial statements.

**DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Program Expenses								
	Education Seminarians and Vocations		Self-Insurance Program	Deposit and Loan Activities	Plant Activities	Total Program	Development	Diocesan Administration	Total
Compensation and benefits	\$ 467,885	\$ 1,084,373	\$ 123,722	\$ 39,791	\$ -	\$ 1,715,771	\$ 201,857	\$ 1,803,404	\$ 3,721,032
Direct program expense	358,762	65,420	-	-	-	424,182	-	40,000	464,182
Subsidies	1,307,835	9,473	-	-	-	1,317,308	-	-	1,317,308
Computer hardware and software	2,123	123,165	-	2,300	-	127,588	3,625	247,130	378,343
Education and training	88,768	436,951	200	-	-	525,919	-	451	526,370
Office supplies, postage and dues	64,539	15,403	580	-	-	80,522	14,109	261,221	355,852
Media and advertising	4,119	-	-	-	-	4,119	-	5,136	9,255
Rentals and repairs	2,538	2,235	-	-	345,495	350,268	-	28,579	378,847
Services	163,507	74,227	15,552	19,224	1,784	274,294	296,013	303,383	873,690
Travel and conferences	37,901	29,048	10,807	-	-	77,756	1,987	48,834	128,577
Utilities and communications	19,799	3,625	1,193	-	69,451	94,068	3,201	134,224	231,493
Other	102,027	979	458	-	168,071	271,535	236	171,126	442,897
Insurance premiums and claims	-	-	9,272,719	-	-	9,272,719	-	-	9,272,719
Interest paid on deposits	-	-	-	1,954,117	-	1,954,117	-	-	1,954,117
Depreciation	-	-	-	-	557,719	557,719	-	-	557,719
TOTAL EXPENSES	\$ 2,619,803	\$ 1,844,899	\$ 9,425,231	\$ 2,015,432	\$ 1,142,520	\$ 17,047,885	\$ 521,028	\$ 3,043,488	\$ 20,612,401

See notes to the financial statements.



**DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 8,285,166	\$ 16,430,190
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	588,101	557,719
Gain on sale of property and equipment	(4,553)	(3,233,211)
Realized and unrealized gains on investments	(7,136,861)	(9,810,852)
Increase in cash surrender value of life insurance policies	(95,634)	-
Change in insurance loss reserve	812,095	(177,910)
Decrease (increase) in:		
Accounts receivable from related parties, net	(61,296)	434,994
Prepaid expenses and other assets	(234,530)	74,519
Prepaid pension costs	(787,508)	1,101,979
(Increase) decrease in:		
Accounts payable and accrued liabilities	(884,755)	538,005
Deposits payable to related parties	3,882,554	7,207,438
Deferred revenue	(21,327)	(3,292,780)
Net cash provided by operating activities	4,341,452	9,830,091
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land, buildings, improvements and equipment	(2,266,791)	(2,788,148)
Proceeds from sale of property and equipment	697,552	3,233,211
Collections on loans to related parties	4,021,451	7,014,705
New loans issued to related parties	(9,581,742)	(14,599,273)
Purchase of investments and certificates of deposits	(35,837,437)	(48,951,842)
Proceeds from sale of investments	34,880,684	63,931,702
Net cash (used in) provided by in investing activities	(8,086,283)	7,840,355
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(3,744,831)	17,670,446
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>36,612,307</u>	<u>18,941,861</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 32,867,476</u></u>	<u><u>\$ 36,612,307</u></u>

See notes to the financial statements.

**DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Diocese of Pensacola – Tallahassee Administrative Offices (the Diocese) was formed in 1975 and includes the 18 western counties of the State of Florida. The Diocese is a Corporation Sole, which is a not-for-profit corporation existing under the laws of the State of Florida. There are no stockholders, directors or officers in the Corporation Sole other than the holder of the Office of Bishop of Pensacola – Tallahassee (the Bishop). The Bishop holds title to all assets and is liable for all indebtedness of the Corporation Sole. The title to all assets and the responsibility for all indebtedness passes to the Bishop's successor in office.

**Basis of Accounting**

The Diocese follows standards of accounting and financial reporting prescribed for nonprofit organizations. The Diocese uses the accrual basis of accounting.

The accompanying financial statements include the assets, liabilities, net assets and financial activities at the Diocesan level of administration. The Catholic Foundation of Northwest Florida, Inc., Catholic Charities, various religious orders, lay societies, foundations and religious organizations, which operate within the Diocese, but which are not fiscally responsible to the Bishop and parishes and their related institutions, have not been included in the accompanying financial statements.

**Basis of Presentation**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Diocese and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions are not subject to any donor-imposed stipulations. Board designated or appropriated amounts are not legally restricted and are also reported as part of the unrestricted class.

Net Assets with Donor Restrictions are subject to donor-imposed stipulations that may or will be met either by actions of the Diocese and/or the passage of time.

**Revenue and Accounts Receivable**

The Diocese's primary revenue is from assessments to the Diocesan parishes, Catholic Sharing Appeal, interest on loans and premiums charged to Diocesan parishes and schools for health, worker's compensation and general and property insurance. Contribution revenue is recognized when earned, and contributions are recognized when received or unconditionally pledged. Assessments and premiums are recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The performance obligations related to assessments and premiums are satisfied over time as the services are provided.

The Diocese's accounts receivable are primarily due from Diocesan parishes for the Catholic Sharing Appeal and parishes and schools for insurance premiums. Management reviews the receivables periodically and provides an allowance for credit losses at a level, which, in management's judgment, is adequate to absorb potential losses inherent from uncollectible receivables.

**DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Cash and Cash Equivalents**

The Diocese considers all highly liquid investments purchased within three months of maturity to be cash equivalents. The Diocese does not consider certificate of deposits to be highly liquid and intends to continually renew the certificate of deposits upon maturity until needed for operations. The certificates of deposit will not be considered cash equivalents.

**Investments**

Investments consist of various types of investments including equity, fixed income securities and other marketable securities. Investments with readily determinable fair values are recorded at fair value based on quoted market prices and other observable inputs, with realized and unrealized gains and losses being reported in the statements of activities. Investment earnings, including dividends and interest, are recognized as income when earned. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions, if the restrictions are met in the reporting period in which the income and gains are recognized. Investment securities can be exposed to several risks, such as interest rate, market and credit risks. The Diocese does not have any investments without a readily determinable fair value.

**Cash Surrender Value of Life Insurance Policies**

The Diocese is the owner and beneficiary of life insurance policies that cover the lives of certain priests. These life insurance policies have a cash surrender value, which is reported on the statements of financial position at the surrender value provided to the Diocese by the insurance carrier.

**Beneficial Interest in Perpetual Trust**

The beneficial interest in perpetual trust represents a donation of an irrevocable perpetual trust, where the Diocese is the sole beneficiary of the trust income. Under this agreement, the Diocese is not the trustee and does not exercise control over the related assets. The Diocese records the trust as a net asset with donor restrictions, based on the market value of the trust's assets. Trust income is recorded as income in the period it is received.

**Loans Receivable**

Loans receivable consist of amounts loaned to Diocesan parishes, schools and related entities. Interest income is recognized monthly on outstanding loan balances at a current annual rate of 5.5%, unless special circumstances warrant a different rate. Accounts are generally considered to be past due and delinquent 30 days after the monthly due date.

**Land, Buildings, Improvements and Equipment**

Land, buildings, improvements and equipment acquisitions in excess of \$500 are capitalized at cost when purchased or at fair value on the date of donation, when donated. Buildings and equipment are depreciated using the straight-line method over the useful lives as follows:

Buildings	30 years
Equipment	3 - 10 years
Furniture and fixtures	3 - 10 years
Vehicles	5 years

**DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES**  
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**Deposits Payable**

The Diocese maintains an investment program for the benefit of Diocesan parishes, schools and related entities. Deposits payable to related parties represent funds these entities have placed with the Diocese for investment purposes. Interest is paid at a rate of 3.0% to 4.5% depending on the type of deposit, and the deposits are payable on demand.

**Deferred Revenue**

Deferred revenue consists of insurance premium payments received in advance of satisfaction of the performance obligation to provide insurance coverage, which will be satisfied over time on a daily or a pro-rata basis as services are provided.

**Allocation of Expenses**

The costs of providing the various programs and supporting activities of the Diocese have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting activities. Most expenses are charged directly to program services, development or administration based on specific identification. Accordingly, some costs have been allocated among the program and supporting services benefited by allocations based on time and effort, occupancy costs or an average square footage basis.

**Tax Exemption**

The Diocese, as part of the Roman Catholic Church in the United States, is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Diocese is not required to file a federal income tax return unless unrelated business income in excess of exempt amounts is earned. The Diocese is not aware of unrelated business income, which would necessitate filing of a tax return. The Diocese is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Significant estimates in these financial statements include the priest pension plan liability and the reserve for insurance losses. Actual results could differ from those estimates.

**Reclassifications**

Certain prior period financial statement amounts have been reclassified to conform to current period presentation. Such reclassifications have no effect on net assets previously reported.

**Subsequent Events**

The Diocese has evaluated events and transactions that occurred between June 30, 2025, and October 14, 2025, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. CERTIFICATES OF DEPOSIT**

As of June 30, 2025, the Diocese had certificates of deposit at financial institutions totaling \$5,010,014. The certificates of deposit were recorded at amortized cost, which approximated fair value. The deposits have an interest rate of 4.32% and mature in September 2025.

**3. INVESTMENTS**

The Diocese's investments consist of the following:

<b><u>As of June 30, 2025:</u></b>	<b><u>Cost</u></b>	<b><u>Unrealized Gains (Losses)</u></b>	<b><u>Fair Value</u></b>
Equities			
Common stock	\$ 49,198,946	\$ 9,967,515	\$ 59,166,461
Mutual funds	5,553,711	2,341,771	7,895,482
Fixed Income			
Corporate bonds	6,987,832	221,295	7,209,127
U.S. government securities	20,831,288	(443,935)	20,387,353
Total investments measured at fair value	82,571,777	12,086,646	94,658,423
Pooled investment fund, measured at net asset value	NA	NA	5,390,702
Total investments	<u>\$ 82,571,777</u>	<u>\$ 12,086,646</u>	<u>\$ 100,049,125</u>
<b><u>As of June 30, 2024:</u></b>	<b><u>Cost</u></b>	<b><u>Unrealized Gains (Losses)</u></b>	<b><u>Fair Value</u></b>
Equities			
Common stock	\$ 50,272,033	\$ 6,898,675	\$ 57,170,708
Mutual funds	9,241,951	(1,777,122)	7,464,829
Fixed Income			
Corporate bonds	8,056,595	(537,863)	7,518,732
U.S. government securities	22,545,419	(2,570,889)	19,974,530
Total investments measured at fair value	90,115,998	2,012,801	92,128,799
Pooled investment fund, measured at net asset value	NA	NA	4,856,037
Total investments	<u>\$ 90,115,998</u>	<u>\$ 2,012,801</u>	<u>\$ 96,984,836</u>

**DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES**  
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#### **4. FAIR VALUE MEASUREMENTS**

The Diocese's investments are reported at fair value, which is defined by Accounting Standards Codification Topic 820, *Fair Value Measurements* (ASC Topic 820), as the exchange price that would be received for an asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC Topic 820 describes three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs utilize quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability;
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3 – Inputs are unobservable data points for the asset and liability, and include situations where there is little, if any, market activity for the asset or liability.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of any input that is significant to the fair value measurement in its entirety.

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Changes in valuation techniques may result in transfers in or out of an investment's assigned level described above.

**DIOCESE OF PENSACOLA – TALLAHASSEE ADMINISTRATIVE OFFICES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The following methods and assumptions were used to estimate the fair value for each class of investment, measured at fair value:

*Common stock* – Investments in stocks are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

*Mutual funds* – Equity mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

*Debt securities* – Investments in debt securities are comprised of U.S. Treasury notes, mortgage-backed securities and corporate bonds and notes. U.S. Treasury notes are classified as Level 1 as they trade with sufficient frequency and volume to enable the Diocese to obtain pricing information on an ongoing basis. Mortgage-backed securities and corporate bonds and notes are classified as Level 2, as they are traded in an active market, and quoted prices are based on the value of similar underlying assets.

The pooled investment fund is an investment in the Mission Diocese Fund. Fair value of the pooled investment is estimated based on the net asset value (NAV), which is the proportionate share of ownership in the underlying net assets of the investment fund, which are reported at fair value.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Diocese evaluates its hierarchy disclosures annually, and based on various factors, it is possible that an asset or liability may be classified differently from year to year. However, the Diocese expects that changes in classifications between levels will be rare.

While the Diocese believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The fair value hierarchy of the Diocese's investments, which are measured on a recurring basis, at June 30, 2025 and 2024, is as follows:

	<b>2025</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Carrying Value</b>
Equities				
Common stock	\$ 59,166,461	\$ -	\$ -	\$ 59,166,461
Mutual funds	7,895,482	-	-	7,895,482
Fixed Income				
Corporate bonds	-	7,209,127	-	7,209,127
U.S. government securities	20,387,353	-	-	20,387,353
Investments measured at NAV <sup>(1)</sup>	NA	NA	NA	5,390,702
Total investments at fair value	<u>\$ 87,449,296</u>	<u>\$ 7,209,127</u>	<u>\$ -</u>	<u>\$ 100,049,125</u>

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<b>2024</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total Carrying Value</b>
Equities				
Common stock	\$ 57,170,708	\$ -	\$ -	\$ 57,170,708
Mutual funds	7,464,829	-	-	7,464,829
Fixed Income				
Corporate bonds	-	7,518,732	-	7,518,732
U.S. government securities	19,974,530	-	-	19,974,530
Investments measured at NAV <sup>(1)</sup>	NA	NA	NA	4,856,037
Total investments at fair value	<u>\$ 84,610,067</u>	<u>\$ 7,518,732</u>	<u>\$ -</u>	<u>\$ 96,984,836</u>

<sup>(1)</sup> In accordance with Subtopic 820-10, certain investments that were measured at NAV per unit (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

## **5. BENEFICIAL INTEREST IN PERPETUAL TRUST**

The Diocese is the sole beneficiary of a longstanding perpetual trust that is required to be recorded on the Diocese's financial statements. The fair value of the trust's assets is recorded in the statements of financial position, and the change in the fair value each year is included in the statements of activities and changes in net assets as a change in net assets with donor restrictions. Earnings from the trust are to be used for the education of priests. The trust consists entirely of marketable equity securities, fixed income investments and temporary cash investments. At June 30, 2025 and 2024, the fair value of this trust measured at Level 3 was \$1,018,210 and \$998,899, respectively.

## **6. ACCOUNTS RECEIVABLE FROM RELATED PARTIES**

Accounts receivable are summarized as follows:

	<b>2025</b>	<b>2024</b>
Catholic Sharing Appeal	\$ 711,103	\$ 297,765
Insurance premiums	311,912	422,461
Parish receivables	83,606	293,016
Other	268,082	300,165
	<u>1,374,703</u>	<u>1,313,407</u>
Less allowance for credit losses	<u>(210,000)</u>	<u>(210,000)</u>
	<u>\$ 1,164,703</u>	<u>\$ 1,103,407</u>



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**7. LOANS RECEIVABLE FROM RELATED PARTIES**

Loans receivable from related parties are as follows:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Loans receivable	\$ 22,970,461	\$ 17,410,170
Less allowance for credit losses	(75,000)	(75,000)
	<u><u>\$ 22,895,461</u></u>	<u><u>\$ 17,335,170</u></u>

Annual maturities of loan receivables are as follows:

<u><b>Year ending</b></u> <u><b>June 30,</b></u>	
2026	\$ 1,944,326
2027	1,953,895
2028	1,893,430
2029	1,798,717
Thereafter	15,380,093
	<u><u>\$ 22,970,461</u></u>

During the years ended June 30, 2025 and 2024, interest income totaling approximately \$973,000 and \$785,000 earned on loans to related parties, respectively.

**8. LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT**

Land, buildings, improvements and equipment are summarized as follows:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Land	\$ 9,318,477	\$ 9,505,149
Buildings and improvements	22,135,373	20,402,341
Equipment	656,281	648,207
Vehicles	201,519	201,519
Furniture and fixtures	757,278	737,920
	33,068,928	31,495,136
Less accumulated depreciation	<u>(12,219,849)</u>	<u>(11,631,748)</u>
	<u><u>\$ 20,849,079</u></u>	<u><u>\$ 19,863,388</u></u>

Depreciation expense was approximately \$588,000 and \$558,000 for the years ended June 30, 2025 and 2024, respectively.

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**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist of:

	<u>2025</u>	<u>2024</u>
Accounts payable	\$ 553,400	\$ 1,254,868
Second Collections payable	288,395	444,173
Catholic Sharing Appeal rebates	71,218	111,785
Accrued payroll and related items	171,937	158,879
	<u>\$ 1,084,950</u>	<u>\$ 1,969,705</u>

**10. LINE OF CREDIT**

The Diocese has a \$5,000,000 line of credit with a bank, which matures in June 2027 and is secured by property of the Diocese. The interest rate is the prime rate less 1.85% (floor of 4.00% and ceiling of 7.75%). There was no outstanding balance on the line of credit at June 30, 2025 and 2024. There were no draws on the line during either fiscal year.

**11. SELF-INSURANCE**

*Employee Group Insurance*

Substantially all employees of the Diocese and affiliated parishes, schools and related entities are provided health benefits through an insurance plan administered by the Diocese. Premiums, recorded within insurance premium revenue in the accompanying statements of activities and changes in net assets, are billed monthly to participating entities for their estimated share of costs. Insurance claims and administrative fees are expensed as incurred by the Diocese. As part of this self-insurance program, the Diocese purchases excess stop loss and aggregate re-insurance coverage from outside insurance carriers. During the years ended June 30, 2025 and 2024, the Diocese was responsible for costs up to \$125,000 per covered person with an aggregate annual maximum of \$1,000,000.

*Property, General, Workers' Compensation and Loss Sharing Agreement*

The Diocese and certain other dioceses within the state of Florida participate in the Ecclesiastical Province of Miami's (the EPM) self-insurance program to provide coverage for property, general liability and workers' compensation claims. Each participating diocese and their participating entities and affiliates are charged a pro-rata share of the EPM program's estimated claim costs, administration fees and policy premiums that are incurred in connection with the purchase of excess insurance coverage from outside carriers and management of the program.

Generally, amounts are recoverable from the excess insurance carriers under this program after a specified claim has exceeded a specified retention limit of \$250,000 for workers' compensation claims, \$10,000,000 for a "named windstorm" property claims, \$250,000 for all other perils and property claims and \$250,000 for liability claims.

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A reserve for insurance losses has been recorded for claims filed, but not paid, as well as for claims incurred, but not reported. The amount of the reserve is estimated based on an actuarial valuation of losses and is recorded by the Diocese at the present value of the estimated unpaid losses using a discount factor of 2%. Any resulting adjustments are reflected in the provision for insurance losses in the year such adjustments are considered necessary.

The Diocese assesses each participating parish, school and related entity for their share of the estimated costs of claims, administration fees and premiums for excess insurance coverage and anticipated reserve requirements. Any excess of assessments over actual losses is retained by the Diocese to cover future program years.

In connection with the EPM program, the Diocese participates in an aggregate excess loss-sharing agreement. This agreement covers property, liability, workers' compensation and other self-insured losses and allows each participating diocese to share in each other's losses above an actuarially determined threshold thereby providing each of the participants with an additional layer of protection from abnormally large or catastrophic losses during any given claim year.

Each participating diocese is assigned a loss fund, which represents the maximum amount of losses the Diocese will be responsible for in any one claim year. For the policy year beginning April 1, 2024, the Diocese's portion of the EPM's combined loss funds was approximately \$525,000. For the policy year beginning April 1, 2025, the Diocese's portion of the EPM's combined loss funds was approximately \$456,000. The Diocese is responsible for losses incurred up to the amount of its combined loss fund requirements. This actuarially determined amount was incorporated into the estimate of the self-insurance claims liability that is reported in the accompanying statements of financial position. The other participating Dioceses share proportionately in the remaining losses based on their share of the total loss funds. If the total loss funds were exhausted, each Diocese would be responsible for its losses in excess of its assigned portion.

## **12. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Seminarian education	\$ 8,942,521	\$ 8,393,739
Not subject to appropriation of expenditure	882,196	882,091
Ministry and other	<u>137,835</u>	<u>80,439</u>
	<u><u>\$ 9,962,552</u></u>	<u><u>\$ 9,356,269</u></u>

During each fiscal year, the majority of net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction of seminarian education and ministry.

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**13. LIQUIDITY**

The Diocese has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Diocese's financial assets as of June 30, 2025 and 2024, reduced by amounts not available for general expenditures within one year.

	<u><b>2025</b></u>	<u><b>2024</b></u>
Cash and cash equivalents	\$ 32,867,476	\$ 36,612,307
Certificates of deposit	5,010,014	-
Investments	100,049,125	96,984,836
Loans receivable from related parties, net	22,895,461	17,335,170
Accounts receivable from related parties, net	<u>1,164,703</u>	<u>1,103,407</u>
Total financial assets	161,986,779	152,035,720
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(9,962,552)	(9,356,269)
Collections of long-term note receivables beyond one year	(21,026,135)	(15,882,343)
Deposits held for investment for related parties	<u>(68,449,332)</u>	<u>(64,566,778)</u>
Financial assets available to meet cash needs for expenditures within one year	<u><u>\$ 62,548,760</u></u>	<u><u>\$ 62,230,330</u></u>

**14. PENSION PLAN**

**Pension Plan and Trust for the Priests of Pensacola-Tallahassee**

The Diocese (the employer) has a non-contributory defined benefit pension plan (pension plan and trust) that covers eligible priests of the Diocese. Pension costs include current service costs, which are accrued and funded on a current basis, and prior costs, which are amortized over 15 years. The plan assets are held in a separate trust. Participants are eligible for benefits at the age of 65 and 10 years of credited service. For the fiscal year 2025, the plan provided a benefit of \$66.73 per month for each year of credited service, with a maximum benefit of \$2,001.80 per month.

For the years ended June 30, 2025 and 2024, there were 81 and 77 participants in the plan, respectively.

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The following tables set forth further information about the defined benefit pension plan:

	<b>2025</b>	<b>2024</b>
Benefit obligation at beginning of year	\$ 11,421,413	\$ 10,017,460
Service cost	178,138	142,247
Interest cost	592,257	503,016
Amendments	-	402,762
Actuarial (gain) loss	(236,585)	1,090,551
Benefits paid	<u>(753,528)</u>	<u>(734,623)</u>
Benefit obligation at end of year	<u>\$ 11,201,695</u>	<u>\$ 11,421,413</u>
Fair value of plan assets at beginning of year	\$ 12,212,967	\$ 11,910,993
Actual return on plan assets	1,155,435	1,036,597
Employer contribution	165,883	-
Benefits paid	<u>(753,528)</u>	<u>(734,623)</u>
Fair value of plan assets at end of year	<u>\$ 12,780,757</u>	<u>\$ 12,212,967</u>
Fair value of plan assets at end of year	\$ 12,780,757	\$ 12,212,967
Projected benefit obligation	<u>(11,201,695)</u>	<u>(11,421,413)</u>
Prepaid pension cost	<u>\$ 1,579,062</u>	<u>\$ 791,554</u>

Amounts recognized in the statements of activities and changes in net assets consist of the following:

	<b>2025</b>	<b>2024</b>
Service cost	\$ 178,138	\$ 142,247
Interest cost	592,257	503,016
Expected return on assets	(716,047)	(692,942)
Amortization of unrecognized prior service cost	187,045	153,481
Amortization of unrecognized actuarial loss	<u>36,123</u>	<u>-</u>
Net periodic pension cost	<u>\$ 277,516</u>	<u>\$ 105,802</u>

Accounting principles generally accepted in the United States of America require that an employer disaggregate the service cost component from the other components of net pension benefit cost and report the service cost component in the same statements of activities and changes in net assets line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statements of activities and changes in net assets separately from the service cost component and outside a subtotal of changes in net assets from operations, if one is presented. The service cost amount for the priests' pension plan is recorded in ministry program expenses. Other components of net benefit cost are included in pension related changes other than service

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costs in nonoperating changes in net assets on the statements of activities and changes in net assets.

Other changes in plan assets and benefit obligations previously recognized in changes in net assets without donor restrictions:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Net prior service cost	\$ 1,726,691	\$ 1,913,736
Unrecognized actuarial net loss	<u>942,678</u>	<u>1,654,774</u>
Amounts previously recognized in net assets without donor restrictions, not yet recognized as periodic pension cost	<u><u>\$ 2,669,369</u></u>	<u><u>\$ 3,568,510</u></u>

Amortization payments paid during fiscal year:

Amortization of net prior service cost	\$ 187,045
Amortization of net loss	<u>36,123</u>
Total amortization payments	<u><u>\$ 223,168</u></u>

Amortization payments expected to be paid during fiscal year ending June 30, 2026:

Amortization of net prior service cost	\$ 187,045
Total amortization payments	<u><u>\$ 187,045</u></u>

The following assumptions were used in accounting for the plan:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Weighted-average assumption used to determine pension benefit obligations		
Discount rate	5.62%	5.36%
Weighted-average assumptions used to determine net periodic pension benefit costs		
Discount rate	5.36%	5.21%
Expected return on plan assets	6.00%	6.00%

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The discount rate will fluctuate depending on the rate at which pension obligations can be effectively settled. The assumption for the expected return on plan assets for pension purposes is the average rate of earnings expected on the funds invested to provide for benefits included in the projected benefit obligation. The Pension Plan's Board of Trustees' investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. The target allocations for plan assets are 44% equity securities, 52% debt securities and 4% other investments. The investment policy is periodically reviewed by the Pension Plan's Board of Trustees and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner to comply at all times with applicable government regulations.

The fair values of the pension plan assets by asset class are as follows:

<b>Asset Category</b>	<b>June 30, 2025</b>		<b>June 30, 2024</b>	
	<b>Level 1*</b>	<b>%</b>	<b>Level 1*</b>	<b>%</b>
Equity securities	\$ 7,916,737	62%	\$ -	0%
Debt securities	4,415,329	35%	11,193,596	92%
Other	448,691	4%	1,019,371	8%
	<u>\$ 12,780,757</u>	<u>101%</u>	<u>\$ 12,212,967</u>	<u>100%</u>

\*Assets are valued at Level 1 inputs, as determined from quoted prices in active markets for identical assets.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2026	\$ 792,000
2027	801,000
2028	790,000
2029	819,000
2030	803,000
2031 - 2035	<u>4,205,000</u>
	<u>\$ 8,210,000</u>

The Diocese, as an employer, intends to contribute the actuarially required amount of \$128,945 to the plan and trust for fiscal year ending June 30, 2026.

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**15. DEFINED CONTRIBUTION PLAN**

**Lay Employees – 401(k) Plan**

The Diocese has a defined contribution plan that covers all lay employees aged 20½ or older. The Diocese matches a scaled percentage of employee contributions up to the first 6% of their compensation depending upon their years of service. The Diocese's matching contributions amounted to \$137,132 and \$117,003 for the years ended June 30, 2025 and 2024, respectively.

**16. COMMITMENTS AND CONTINGENCIES**

**Credit Risk**

The Diocese places its cash and investments in financial institutions and investment firms that are federally insured for \$250,000 and for \$500,000 under the Federal Deposit Insurance Corporation (FDIC) and the Securities Investors Protection Corporation (SIPC), respectively. At June 30, 2025 and 2024, the Diocese exceeded the FDIC insured limits at financial institutions by approximately \$6.8 million and \$10.6 million, respectively, which is the amount of the Organization's exposure to credit loss. The Diocese has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

**17. SUBSEQUENT EVENT**

Effective September 29, 2025, the Diocese established the Northwest Florida Catholic Ecclesiastical Entities Deposit and Loan Trust (Deposit & Loan Trust) with the intent to transfer deposit and loan asset and liability balances and activity that were previously reported within the Deposit and Loan Fund of the Diocese's financial statements. As of the date of this report, the Dioceses is in the process of transferring approximately \$60 million in cash and investments, \$23 million in loan receivable assets, and \$68 million in deposit liabilities related to parishes, schools, regional schools, cemeteries and other related organizations of a parish into the Trust, at the carrying amounts of the assets and liabilities.