

AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

DIOCESE OF CENTRAL FLORIDA, INC.

December 31, 2010

AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

DIOCESE OF CENTRAL FLORIDA, INC.

December 31, 2010

Independent Auditors' Report..... 1

Financial Statements:

    Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis..... 2

    Statement of Support, Revenues, Expenses, and Other  
    Changes in Net Assets – Modified Cash Basis..... 3

    Notes to Financial Statements ..... 4

Other Financial Information:

    Loans Receivable - Related Entities ..... 13

    Non-Operating Properties ..... 14

    Detail of Support, Revenues, and Expenses – Current Year Budget –  
    Modified Cash Basis ..... 15

    Detail of Custodial/Trust Accounts – At Fair Value ..... 16

**R.A. SIMASEK, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
601 NORTH FERNCREEK AVENUE, SUITE 110  
ORLANDO, FLORIDA 32803  
TELEPHONE (407) 894-5050  
FAX (407) 894-5019

INDEPENDENT AUDITORS' REPORT

The Diocesan Board  
Diocese of Central Florida, Inc.  
Orlando, Florida

We have audited the accompanying statement of assets, liabilities, and net assets – modified cash basis of the Diocese of Central Florida, Inc. ("Diocese") as of December 31, 2010, and the related statement of support, revenues, expenses, and other changes in net assets – modified cash basis for the year then ended. These financial statements are the responsibility of the Diocese's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A to the financial statements, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Diocese of Central Florida, Inc. as of December 31, 2010, and its support, revenues, expenses, and other changes in net assets for the year then ended, on the basis of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other financial information included on pages 13 through 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such financial 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 audit 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.



Orlando, Florida  
June 10, 2011

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -  
 MODIFIED CASH BASIS

DIOCESE OF CENTRAL FLORIDA, INC.

December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and temporary cash investments	\$ 256,084	\$ 26,925	\$ -	\$ 283,009
Loans receivable - related entities	-	480,174	813,426	1,293,600
Investments	1,464,127	359,836	898,931	2,722,894
Fixed assets	989,276	-	-	989,276
Non-operating properties	-	2,087,506	-	2,087,506
	<u>\$ 2,709,487</u>	<u>\$ 2,954,441</u>	<u>\$ 1,712,357</u>	<u>\$ 7,376,285</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Designated funds	\$ 387,028	\$ -	\$ -	\$ 387,028
Custodial/Trust funds	640,701	-	-	640,701
	<u>1,027,729</u>	<u>-</u>	<u>-</u>	<u>1,027,729</u>
Net assets	<u>1,681,758</u>	<u>2,954,441</u>	<u>1,712,357</u>	<u>6,348,556</u>
	<u>\$ 2,709,487</u>	<u>\$ 2,954,441</u>	<u>\$ 1,712,357</u>	<u>\$ 7,376,285</u>

See notes to financial statements.

STATEMENT OF SUPPORT, REVENUES, EXPENSES, AND OTHER  
CHANGES IN NET ASSETS - MODIFIED CASH BASIS

DIOCESE OF CENTRAL FLORIDA, INC.:

Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:				
From parishes and missions for current year program	\$ 2,103,484	\$ -	\$ -	\$ 2,103,484
Investments	78,018	49,497	-	127,515
Capital campaign receipts	10,772	-	-	10,772
New Covenant settlement payments	-	50,208	-	50,208
Other	83,973	-	-	83,973
Net assets released from restrictions	266,404	(266,404)	-	-
	<u>2,542,651</u>	<u>(166,699)</u>	<u>-</u>	<u>2,375,952</u>
Expenses:				
Program services:				
Outreach	310,609	-	-	310,609
Ministry	1,336,883	-	-	1,336,883
Supporting services and costs:				
Diocesan Lay Administrative Staff	331,472	-	-	331,472
Administrative	180,058	-	-	180,058
Campaign activity - distributions	46,486	-	-	46,486
Grant to mission church - Note B	292,225	-	-	292,225
Depreciation	63,503	-	-	63,503
Other	12,361	-	-	12,361
	<u>2,573,597</u>	<u>-</u>	<u>-</u>	<u>2,573,597</u>
Changes in net assets	(30,946)	(166,699)	-	(197,645)
Net assets at beginning of year	<u>1,712,704</u>	<u>3,121,140</u>	<u>1,712,357</u>	<u>6,546,201</u>
Net assets at end of year	<u>\$ 1,681,758</u>	<u>\$ 2,954,441</u>	<u>\$ 1,712,357</u>	<u>\$ 6,348,556</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DIOCESE OF CENTRAL FLORIDA, INC.

NOTE A - ORGANIZATIONAL BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Diocese of Central Florida, Inc. ("Diocese") is a non-stock, not-for-profit Florida corporation organized as a Diocese of the Protestant Episcopal Church in the United States of America. It is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code and the laws of the State of Florida and maintains nonprivate foundation status in accordance with the Internal Revenue Code. Operation is directed by a Diocesan Board whose members are elected, and who receive no compensation for their services.

Basis of Presentation

The Diocese's policy is to prepare its financial statements on the modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred.

The accompanying financial statements include the assets, liabilities, net assets, and financial activities of all the administrative and program activities of the Diocese of Central Florida, Inc. The accompanying financial statements do not include various activities of the Diocese such as parishes, schools, etc. These entities operate within the Diocese, but each is an operating entity distinct from the Diocese and maintain their own financial accounts and records and carry on their own services and programs.

The Diocese classifies its net assets as follows:

Unrestricted net assets - net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met by actions of the Diocese and/or the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Diocese. Permanently restricted net assets were \$1,712,357 at December 31, 2010. This amount consists of endowment funds that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be used. Investment earnings distributed or available for distribution are recorded in unrestricted net assets, or, as in the case of Slemaker investment earnings, in temporary restricted net assets – see following.

Support and related investment gains/losses that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires or is satisfied in the reporting period in which such support and revenue is recognized. All other donor-restricted support and revenue is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Temporarily restricted net assets at December 31, 2010 are composed of the following:

Church Expansion funds available to the Diocese to acquire and develop properties or to loan/grant to Diocesan organizations funds to acquire or develop properties (includes Flagler Memorial monies)	\$ 2,758,453
Revenue from Slemaker investments restricted to establish new missions (see following paragraph)	60,982
Campaign funds (see Note I)	108,081
Auxiliary fund - Bishop's Discretionary Fund	26,925
	<u>\$ 2,954,441</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DIOCESE OF CENTRAL FLORIDA, INC.

NOTE A – ORGANIZATIONAL BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Permanently restricted net assets at December 31, 2010 are composed of the following:

Endowment funds, which represent funds that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be used to support the Diocese's activities:

Episcopate	\$ 363,876
Theological Trust	132,326
Funds ("Slemaker") available as a revolving fund to establish new missions wherever they may be needed	<u>1,216,155</u>
	<u>\$ 1,712,357</u>

Contributions

The Diocese reports contributions as restricted support if they are received with donor stipulations that limit the use of the contribution. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support, revenues, expenses, and other changes in net assets – modified cash basis as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period as received, are reported as unrestricted support.

Use of Estimates

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loans Receivable – Related Entities

Unsecured loans receivable from related entities are stated at the amount management expects to realize from outstanding balances. These loans are made primarily for church expansion purposes or to establish new missions (i.e. start up churches) – see Note A above as to temporarily restricted net assets and permanently restricted net assets funds available for these purposes and Note B as to a grant to a mission church.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position (see Note C). Unrealized gains and losses are included in the change in unrestricted net assets.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DIOCESE OF CENTRAL FLORIDA, INC.

NOTE A – ORGANIZATIONAL BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investment Policy

A reasonable return with investments balanced toward preservation of capital and liquidity; these are the main investment priorities depending on the purpose of the respective invested funds (see Note C and Note J).

NOTE B – GRANT TO A MISSION CHURCH

Due primarily to the recent economic downturn, particularly in Central Florida, a Diocesan mission church had encountered difficulties in repaying a loan from the Diocese which was made for the purpose of development of the referenced church (see Note A). As the mission church's ability to repay the outstanding balance of the loan was doubtful and primarily to allow this mission church to move forward and to have an opportunity to develop a thriving ministry in the future, a Diocesan grant was applied to this loan balance (i.e. to eliminate the loan balance) as of December 31, 2010 from Diocesan resources which are available for such purposes (i.e. monies available to establish new missions). The mission entity remains current on its mortgage loan with an unrelated commercial bank at this time.

NOTE C – INVESTMENTS

The Diocese's investments are stated at fair value and consist of the following at December 31, 2010:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Cash and cash equivalents:			
Cash	\$ 635	\$ 635	\$ -
U.S. Treasury Money Fund	389,749	389,749	-
	<u>390,384</u>	<u>390,384</u>	<u>-</u>
Certificates of deposit	1,671,882	1,671,882	-
Mutual funds	647,717	660,628	12,911
	<u>\$ 2,709,983</u>	<u>\$ 2,722,894</u>	<u>\$ 12,911</u>

Fair value reporting establishes a framework for measuring fair value, and provides disclosure about fair value measurements. Assets (i.e. investments) recorded at fair value in the statement of assets, liabilities, and net assets – modified cash basis are categorized based upon the level of judgment associated with the inputs used to measure fair value. Accordingly, the carrying amount of cash and cash equivalents investments (to include certificates of deposit) approximates fair value because of the short maturity of those financial instruments, while the Diocese measures the value of its mutual funds investments at Level I.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DIOCESE OF CENTRAL FLORIDA, INC.

NOTE C – INVESTMENTS – CONTINUED

Level inputs, as defined by fair value measurements, are as follows:

Level Input	Input Definition
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The Diocese's net investment return for the year ended December 31, 2010 consists of the following:

Interest and dividends (to include capital gain distributions)	\$ 71,748
Rent - net of direct expenses	(2,123)
Realized loss from sale of investments	(39,934)
Increase in unrealized gain from investments	<u>97,824</u>
	<u>\$ 127,515</u>

The Diocese's investments are exposed to various risks such as interest rate, market, credit, purchasing power, and principal of investment risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment account balance.

NOTE D – NON-OPERATING PROPERTIES

The temporarily restricted net assets (Church Expansion) include non-operating properties acquired for church related purposes, which are generally carried at cost (to include carrying costs).

NOTE E – RETIREMENT PLANS

The Diocese's eligible lay employees are covered under a defined contribution pension plan established by the Diocese; contributions to the plan are determined on an annual basis by the Diocesan Board (9% of eligible compensation for 2010) and the Diocese is not liable for any payments under the plan in excess of the annual contribution. The total expense for the lay employee plan for the year ended December 31, 2010 was \$21,410.

The Diocese's eligible clergy employees participate in the National Church's non-contributory defined benefit retirement plan. The plan, which is administered by The Church Pension Group, required a contribution of 18% of eligible clergy compensation in 2010. Normal pension costs of the plan are funded currently. Defined benefits payable are predicated upon a formula based upon contributions made into the plan for the benefit of the clergy employee. The amount charged to pension expense and contributed to the plan in 2010 by the Diocese was \$51,840.

As the clergy plan includes numerous participating entities, it is not practical for the actuary to compute accumulated and projected benefit obligations for individual entities. As of March 31, 2010, the funded pension reserve of the plan equaled the computed liability and related reserves of the plan.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DIOCESE OF CENTRAL FLORIDA, INC.

NOTE F – FIXED ASSETS

The Diocese records (i.e. capitalizes) all non-budgetary fixed asset acquisitions at cost. It is the Diocese's policy to capitalize expenditures for these items in excess of \$2,500. Lesser amounts are expensed. Depreciation is recorded on such acquisitions on the straight-line method with estimated useful life of 10 to 40 years for the buildings and improvements, and 7 to 10 years for furniture, fixtures, and equipment.

The composition of fixed assets at December 31, 2010, is as follows:

Land	\$ 440,500
Buildings and improvements	1,665,386
Furniture, fixtures, and equipment	248,185
	<u>2,354,071</u>
Less accumulated depreciation	<u>(1,364,795)</u>
	<u><u>\$ 989,276</u></u>

NOTE G – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Diocese to concentrations of credit risk consist principally of cash and temporary cash investments, loans receivable, and several investments. The Diocese places its cash and temporary cash investments balances and certificates of deposit investment balances with federally insured financial institutions, while certain cash and cash equivalents investments and other investments (i.e. mutual funds) are maintained in a brokerage account with separate SIPC insurance. However, the Diocese is exposed to loss to the extent that such account balances exceed such insured limits. Concentrations of credit risk with respect to loans receivable are limited due to the related nature of the payor.

NOTE H – LEASES

The Diocese leases office equipment under an operating lease, which expires during the year ended December 31, 2015. Current monthly lease payments are \$94. Total lease expense for 2010 under this operating lease was \$1,123.

Future minimum lease payments of this operating lease for the years subsequent to December 31, 2010 are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2011	\$ 1,123
2012	1,123
2013	1,123
2014	1,123
2015	<u>281</u>
	<u><u>\$ 4,773</u></u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DIOCESE OF CENTRAL FLORIDA, INC.

NOTE I – CAPITAL CAMPAIGN

During the year ended December 31, 2002, the Diocese mounted an intentional, focused campaign to plant new congregations, strengthen existing congregations, and to revitalize two affiliated operations of the Diocese, Camp Wingmann and Canterbury Retreat and Conference Center.

Contributions received, net of expenses incurred (primarily fund raising costs) and distributions made to date, resulting from the Campaign, are reflected as temporarily restricted net assets in the financial statements as of December 31, 2010. The campaign was substantially completed in 2005 and net contributions for activities outside the Diocese were dispersed. It is anticipated that the net remaining contributions for activities within the Diocese will be transferred to the appropriate activities during 2011.

Accordingly, the financial status of the Campaign as of December 31, 2010 is as follows:

Cash and cash equivalents	\$ 250
Investments	<u>107,831</u>
	<u>\$ 108,081</u>
Temporarily restricted net assets (see Note A)	<u>\$ 108,081</u>

Detail of the Campaign's activity is as follows:

	<u>Year Ended December 31, 2010</u>	<u>Campaign To Date</u>
<u>Campaign receipts</u>	\$ 10,772	\$ 1,203,898
<u>Campaign expenses:</u>		
Consultant costs	-	168,312
Staff costs	-	58,826
Operating costs	-	27,845
Materials costs	-	6,415
	<u>-</u>	<u>261,398</u>
	10,772	942,500
<u>Distributions:</u>		
Church of the Epiphany - Oviedo	-	21,300
Church of the Incarnation - Oviedo	-	102,814
Church of the Redeemer - Avon Park	-	56,000
Episcopal Church of the Redeemer-Palm Bay	-	17,900
St. Philips - Lake Nona	-	83,130
Canterbury Retreat and Conference Center	40,916	173,399
Camp Wingmann	5,570	273,159
Congregational Development - Church Planting Conference	-	1,000
Parish renewal project expenses	-	105,717
	<u>46,486</u>	<u>834,419</u>
	<u>\$ (35,714)</u>	<u>\$ 108,081</u>

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### DIOCESE OF CENTRAL FLORIDA, INC.

#### NOTE J – ENDOWMENT FUNDS

The Diocese's endowment consists of Slemaker, Episcopate, and Theological Trust funds established for basically one purpose, which is to support the Diocese's activities. The Diocese's endowment includes only donor-restricted endowment funds as no funds are designated by the Board of Directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Diocese has interpreted applicable law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence maintained by the Diocese. The Diocese considers the following factors in making a determination to appropriate or accumulate income from donor-restricted endowment funds:

- 1) Duration and preservation of the endowment fund
- 2) The purposes of the Diocese and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Diocese
- 7) The investment policies of the Diocese

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a sustainable and increasing level of endowment income to support its ministry. Under this policy, as approved by the Board of Directors, the investment objective for the endowment portfolio is a rate of return one to two percentage points in excess of the prevailing bank money market rate with strong emphasis on preservation of capital (the Diocese's most important investment objective). The endowment assets are invested in a manner that is intended to produce results that equal or exceed the benchmark referred to above, while preserving capital and maintaining liquidity in accordance with the requirements of the purpose of the specific endowment monies. Accordingly, the Diocese expects its endowment funds, over time, to provide a reasonable net rate of return and the growth desirable to allow the income generating potential of the funds to keep up with inflation, and also, in the case of the Slemaker funds, the growth to enable the fund to keep pace with rising land and construction costs and the ever-increasing number of congregations desiring to build.

Specifically, the expected Nature of Investments is as follows:

#### Slemaker Investments

The primary investment instrument for the Slemaker Fund are loans to missions within the Diocese for the acquisition, development and expansion of mission properties. The maximum amount per loan shall be \$300,000 with an interest rate of 3% for the first three years. The interest rate upon renewal for an additional three year (limit) period will be 6%. Funds not loaned out to congregations will be invested. Up to 50% of the funds not loaned out to congregations may be invested in bonds and/or no load mutual funds (bond and/or equity) where there is a reasonable expectation that the funds will not be withdrawn for 6 months or more. Other investments can be invested as outlined following.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DIOCESE OF CENTRAL FLORIDA, INC.

NOTE J – ENDOWMENT FUNDS – CONTINUED

Episcopate and Theological Trust Investments

The funds shall be invested using an asset allocation model comprised of the following categories and target percentages:

- 5% cash or cash equivalents,
- 25% bonds or bond mutual funds,
- 70% equity mutual funds

The funds shall be adjusted on a regular basis, not less than quarterly, to match these target percentages. Fluctuations of up to 10% per category are allowed.

In order to minimize risk, the fair market value of any single investment (i.e. bond, bond or equity mutual fund, etc.) shall be limited to \$75,000 or 25% of the account's fair market value, whichever is less, unless otherwise approved by the Diocese's Finance Committee.

The asset allocation model target percentages (plus the allowed fluctuation) represent the maximum investment in any one category, not minimums. The Diocesan Administrator is authorized to reduce the exposure in any or all categories by investment in cash equivalents on a short-term basis where it is believed to serve the interests of the Diocese.

For all three funds, the following types of investments (in addition to Slemaker loans to missions referred to above) are authorized:

- Money market mutual funds
- Commercial bank certificates of deposit (insured by the FDIC)
- U.S. Treasury Instruments
- Investment grade commercial bonds (rated at least A by an accredited bond rating authority, such as Moody's or Standard & Poor's)
- Bond and equity mutual funds with a Morningstar rating of at least 4 stars at the time of purchase.

The Diocese has a policy of appropriating for distribution each year only enough endowment fund income to fund any shortfalls in its operating budget for the year. In establishing this policy, the Diocese considered the long-term expected return on its endowment. Accordingly, over the long term, the Diocese expects the current spending policy to allow its retained endowment fund income to grow and the fair value of its permanently restricted endowment fund balance to be maintained.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the applicable law requires the Diocese to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2010.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DIOCESE OF CENTRAL FLORIDA, INC.

NOTE J – ENDOWMENT FUNDS – CONTINUED

As of and for the year ended December 31, 2010, the Diocese had the following endowment-related activities:

Carrying value of donor-restricted endowment funds (invested as outlined above and in Note C)		<u>\$ 1,712,357</u>
<u>Changes in Endowment Funds</u>		
Balance at 12/31/09		\$ 1,712,357
Investment return:		
Ordinary income	\$ 26,358	
Net appreciation for the year (unrealized gain)	46,986	
Realized capital (loss)	<u>(20,502)</u>	52,842
Allocation to temporarily restricted net assets		(16,392)
Allocation to unrestricted funds		<u>(36,450)</u>
		<u>-</u>
Balance at 12/31/10		<u>\$ 1,712,357</u>

NOTE K – INCOME TAXES

For income tax purposes, as noted in Note A, Diocese is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code and the laws of the State of Florida, and maintains nonprivate foundation status in accordance with the Internal Revenue Code. As an eligible religious entity, the Diocese is not required to file Form 990, an annual information return, with the Internal Revenue Service. However, the Diocese is required to file income tax returns (federal form 990-T) and pay federal and state (form F-1120) income taxes on any unrelated business income (none to date).

The Diocese has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject the Diocese to any material income tax exposure. Accordingly, there are no open federal or state tax years under audit.

NOTE L – SUBSEQUENT EVENTS

The Diocese has evaluated subsequent events through June 10, 2011, the date which the financial statements were available to be issued.

OTHER FINANCIAL INFORMATION

LOANS RECEIVABLE - RELATED ENTITIES

DIOCESE OF CENTRAL FLORIDA, INC.

Year Ended December 31, 2010

Location	Related Entity	Balances January 1, 2010	Loans Made	Principal Reductions	Balances December 31, 2010
<u>Temporarily Restricted Assets - Church Expansion</u>					
Belleview	St. Mary's	\$ 275,194	\$ -	\$ 9,271	\$ 265,923
Lakeland	St. David's	107,788	-	107,788	-
Pt. St. Lucie	Holy Faith	185,090	-	6,434	178,656
Orlando	Christ the King	-	40,000	4,405	35,595
		<u>\$ 568,072</u>	<u>\$ 40,000</u>	<u>\$ 127,898</u>	<u>\$ 480,174</u>

Permanently Restricted Assets - Slemaker

Avon Park	Redeemer	\$ 292,225	\$ -	\$ 292,225	\$ -
Daytona Beach	St. Timothy's	75,071	-	3,861	71,210
Lecanto	Shepherd of the Hills	298,698	-	7,276	291,422
Melbourne	Hope Episcopal	157,888	-	520	157,368
Palm Bay	Blessed Redeemer	-	300,000	6,574	293,426
		<u>\$ 823,882</u>	<u>\$ 300,000</u>	<u>\$ 310,456</u>	<u>\$ 813,426</u>

NON-OPERATING PROPERTIES

DIOCESE OF CENTRAL FLORIDA, INC.

Year Ended December 31, 2010

<u>Location</u>	<u>Name</u>	<u>Carrying Amount</u>
<u>Temporarily Restricted Assets - Church Expansion</u>		
Church Properties:		
Daytona Beach	St. Timothy	\$ 52,186
Fort Meade	Christ Church	47,551
Orlando	St. John Baptist	664
Deland	Holy Presence	59,968
Lecanto	Shepherd of the Hills	16,838
Mulberry	St. Luke Evangelist	1,653
Seminole	Church of the Incarnation	1,387,035
Okahumpka	Corpus Christi	286,378
Other:		
Marion County	Ocala Property	3,822
North Carolina/ Buncombe County	High Vista	25,186
Marion County	Orange Lake Cemetery	105
Orange County	Narcoossee Rd. property	116,310
Brevard County	Port Malibar property	89,810
		<u>\$ 2,087,506</u>

DETAIL OF SUPPORT, REVENUES, AND EXPENSES - CURRENT YEAR BUDGET -  
MODIFIED CASH BASIS

DIOCESE OF CENTRAL FLORIDA, INC.

Year Ended December 31, 2010

	2010 Budget	2010 Actual	Under (Over) Budget
Support and Revenues:			
*Pledges:			
Undesignated	\$ 547,131	\$ 558,286	\$ *
Designated restriction	1,641,394	1,545,198	*
	<u>2,188,525</u>	<u>2,103,484</u>	<u>85,041</u>
Other Revenue	17,000	4,955	12,045
	<u>2,205,525</u>	<u>2,108,439</u>	<u>97,086</u>
Expenses:			
Outreach :			
Diocesan Tithe	218,850	210,348	8,502
National and World Mission	23,050	21,091	1,959
Outreach Ministries	80,670	79,170	1,500
Total Outreach	<u>322,570</u>	<u>310,609</u>	<u>11,961</u>
Ministry:			
Congregational Support	403,200	410,104	(6,904)
Commissions and Committees	55,800	51,947	3,853
Training and Education	93,250	91,927	1,323
Youth Ministry	122,250	121,694	556
Communications	181,620	178,755	2,865
Episcopate Clergy Salaries/Housing/Benefits	358,695	356,754	1,941
Episcopate Clergy Travel, Hospitality, Prof. Dev.	26,270	25,555	715
Retired Benefits	111,900	100,147	11,753
Total Ministry	<u>1,352,985</u>	<u>1,336,883</u>	<u>16,102</u>
Supporting Services:			
Diocesan Lay Administrative Staff	330,420	331,472	(1,052)
Administrative:			
Diocesan Office	118,570	112,510	6,060
Insurance and Professional Services	59,450	56,895	2,555
Travel, Hospitality, Prof. Development	21,530	10,653	10,877
Total Administrative	<u>199,550</u>	<u>180,058</u>	<u>19,492</u>
Total Supporting Services	<u>529,970</u>	<u>511,530</u>	<u>18,440</u>
	<u>2,205,525</u>	<u>2,159,022</u>	<u>46,503</u>
Excess of Support and Revenues over Expenses	<u>\$ -</u>	<u>\$ (50,583)</u>	<u>\$ 50,583</u>

\*Designation related to restrictions on payments to the National Church.

DETAIL OF CUSTODIAL/TRUST ACCOUNTS - AT FAIR VALUE

DIOCESE OF CENTRAL FLORIDA, INC.

Year Ended December 31, 2010

	Balances January 1, 2010	2010 Activity	Additions	Distributions	Balances December 31, 2010
<b>Custodial Accounts:</b>					
Church of the Redeemer - Avon Park	\$ 4,927	\$ 483	\$ -	\$ -	\$ 5,410
All Saints - Enterprise	13,349	1,307	-	-	14,656
Mowery Trust	242,159	23,294	-	(8,000)	257,453
Good Shepherd - Lake Wales	4,843	474	-	-	5,317
All Saints - Lakeland	1,223	120	-	-	1,343
Good Shepherd - Maitland	7,344	719	-	-	8,063
St. John - Melbourne	4,924	482	-	-	5,406
St. Luke - Orlando	49,245	4,823	-	-	54,068
All Saints - Winter Park	5,002	490	-	-	5,492
	<u>333,016</u>	<u>32,192</u>	<u>-</u>	<u>(8,000)</u>	<u>357,208</u>
<b>Trust Accounts:</b>					
Donald L. Biggers Trust	138,927	16,885	-	(5,000)	150,812
Robert E. S. Carr Estate	2,380	297	-	-	2,677
D.P. Street Bequest	18,581	2,313	-	-	20,894
Frances C. Thornton Trust	68,726	8,552	-	-	77,278
Evans Trust - Conference Center	2,273	281	-	-	2,554
Virginia B. Smith Estate	26,038	3,240	-	-	29,278
	<u>256,925</u>	<u>31,568</u>	<u>-</u>	<u>(5,000)</u>	<u>283,493</u>
	<u>\$ 589,941</u>	<u>\$ 63,760</u>	<u>\$ -</u>	<u>\$ (13,000)</u>	<u>\$ 640,701 (A)</u>

(A) Carried in investments at December 31, 2010 (see Page 2).