

**CATHOLIC DIOCESE OF NASHVILLE**

**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2023 AND 2022**

**CATHOLIC DIOCESE OF NASHVILLE**

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**June 30, 2023 and 2022**

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## Independent Auditor's Report

Most Reverend J. Mark Spalding, Bishop of Nashville  
Diocesan Finance Council  
Catholic Diocese of Nashville  
Nashville, Tennessee

### ***Opinion***

We have audited the accompanying financial statements of Catholic Diocese of Nashville (the Diocese), a non-profit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 Catholic Diocese of Nashville as of June 30, 2023 and 2022, and the changes in its net assets and 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 Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are required to be independent of the Diocese and to meet our ethical responsibilities in accordance with the relevant ethical requirements related 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 the financial statements are available to be issued.

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### ***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'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 audits, significant audit findings, and certain internal control related matters that we identified during the audit.



Puryear & Noonan, CPAs  
Nashville, Tennessee  
September 18, 2023

**CATHOLIC DIOCESE OF NASHVILLE**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b><u>Assets</u></b>		
Cash	\$ 9,892,115	\$ 5,975,774
Investments in marketable securities	11,644,978	10,729,972
Accounts and other receivables, net of provision for doubtful accounts of \$5,296 in 2023 and 2022	1,288,128	1,177,174
Unconditional promise to give	62,500	1,000,000
Property held for sale	-	367,778
Land, buildings, and equipment, net	33,836,205	32,234,288
Other assets	-	58,779
Residual interest in trusts	<u>7,875,326</u>	<u>6,456,860</u>
<b>Total Assets</b>	<b><u>\$ 64,599,252</u></b>	<b><u>\$ 58,000,625</u></b>
<b><u>Liabilities and Net Assets</u></b>		
Accounts payable and accrued expenses	\$ 3,261,361	\$ 1,828,573
Grant payable	2,500,000	-
Loans payable	6,674,922	6,989,788
Other liabilities	<u>253,797</u>	<u>393,171</u>
<b>Total Liabilities</b>	<b><u>12,690,080</u></b>	<b><u>9,211,532</u></b>
<b>Net Assets</b>		
Without donor restrictions	1,493,527	2,025,299
Without donor restrictions - Designated	33,443,004	33,570,450
With donor restrictions	<u>16,972,641</u>	<u>13,193,344</u>
<b>Total Net Assets</b>	<b><u>51,909,172</u></b>	<b><u>48,789,093</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 64,599,252</u></b>	<b><u>\$ 58,000,625</u></b>

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

**CATHOLIC DIOCESE OF NASHVILLE**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
<b>Operating Support and Revenues</b>		
Assessments	\$ 6,529,478	\$ 6,279,539
Service fees/materials supplied	4,026,741	4,008,432
Contributions	3,857,508	6,236,221
Gain on disposal of assets	2,698,284	-
Investment income (loss)	1,052,725	(840,986)
Program grants	37,333	34,587
<b>Total Operating Support and Revenues Without Donor Restrictions</b>	<b>18,202,069</b>	<b>15,717,793</b>
<b>Net Assets Released From Restrictions</b>		
Satisfaction of donor restrictions	1,522,678	1,269,780
Expiration of time restrictions	726,293	78,491
<b>Total Net Assets Released From Restrictions</b>	<b>2,248,971</b>	<b>1,348,271</b>
<b>Total Support and Revenues Without Donor Restrictions</b>	<b>20,451,040</b>	<b>17,066,064</b>
<b>Expenses</b>		
<b>Program Services</b>		
School and institutional assistance	3,803,519	2,423,871
Pastoral, social and educational services	3,403,846	2,666,721
Ministries (youth, elderly, campus and ethnic)	2,029,700	2,756,123
Clergy benefits	1,854,335	1,496,031
Program facilities and depreciation	1,851,710	1,631,875
Vocations	1,751,572	1,707,324
Communications	1,725,033	588,714
Parish and institutional assistance	683,999	848,999
Cemeteries	477,802	335,897
Family assistance and payments to beneficiaries	287,307	59,666
<b>Total Program Services</b>	<b>17,868,823</b>	<b>14,515,221</b>
<b>Management and General</b>		
Governance	2,505,002	2,150,374
Insurance and worker's compensation	93,381	400,881
<b>Total Management and General</b>	<b>2,598,383</b>	<b>2,551,255</b>
<b>Fundraising Expenditures</b>	<b>643,052</b>	<b>618,935</b>
<b>Total Expenses</b>	<b>21,110,258</b>	<b>17,685,411</b>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions	3,745,564	1,752,595
Change in value of residual interest	1,418,467	828,513
Investment income (loss)	518,773	(555,027)
Service fees/materials supplied	240,464	142,165
Program grants	105,000	105,000
<b>Net Assets Released From Restrictions</b>	<b>(2,248,971)</b>	<b>(1,348,271)</b>
Increase in net assets with donor restrictions	<b>3,779,297</b>	<b>924,975</b>
<b>Change in Net Assets</b>	<b>3,120,079</b>	<b>305,628</b>
<b>Net Assets - Beginning of Year</b>	<b>48,789,093</b>	<b>48,483,465</b>
<b>Net Assets - End of Year</b>	<b>\$ 51,909,172</b>	<b>\$ 48,789,093</b>

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

**CATHOLIC DIOCESE OF NASHVILLE**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 3,120,079	\$ 305,628
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities</b>		
Depreciation	683,325	650,697
Net realized and unrealized (gain) loss on marketable securities	(1,037,378)	1,858,714
Unrealized gain, reclassifications, and adjustments of residual interests in trusts	(1,418,467)	(828,513)
Gain on disposal of assets	(2,698,284)	-
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(110,954)	(35,617)
(Increase) decrease in unconditional promise to give	937,500	(1,000,000)
(Increase) decrease in other assets	58,779	(29,364)
Increase (decrease) in accounts payable and accrued expenses	1,432,788	30,316
Increase (decrease) in grant payable	2,500,000	-
Increase (decrease) in deferred revenue	15,855	(16,204)
Increase (decrease) in funds owed to others	<u>(136,256)</u>	<u>19,729</u>
<b>Net Cash Provided by Operating Activities</b>	<u>3,346,987</u>	<u>955,386</u>
 <b>Cash Flows from Investing Activities</b>		
Proceeds (purchases) from sale of investments in marketable securities, net	122,372	1,906,176
Proceeds from sale of property and property held for sale	3,352,940	-
Purchase of land, buildings, and equipment	<u>(2,572,119)</u>	<u>(1,153,861)</u>
<b>Net Cash Provided by Investing Activities</b>	<u>903,193</u>	<u>752,315</u>
 <b>Cash Flows from Financing Activities</b>		
Repayments on loans payable	(314,866)	(308,273)
Repayments on finance lease payable	<u>(18,973)</u>	<u>(14,713)</u>
<b>Net Cash Used for Financing Activities</b>	<u>(333,839)</u>	<u>(322,986)</u>
 <b>Net Change in Cash</b>	3,916,341	1,384,715
 <b>Cash - Beginning of Year</b>	<u>5,975,774</u>	<u>4,591,059</u>
 <b>Cash - End of Year</b>	<u>\$ 9,892,115</u>	<u>\$ 5,975,774</u>
 <b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for interest	<u>\$ 151,219</u>	<u>\$ 160,094</u>

**Non-cash transactions**

During the year ended June 30, 2023, the Diocese wrote off fully depreciated assets with cost and accumulated depreciation totaling \$30,561.

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

**CATHOLIC DIOCESE OF NASHVILLE**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2023 and 2022**

**2023**

	<b><u>Program</u></b>	<b><u>Management</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
	<b><u>Services</u></b>	<b><u>and General</u></b>		
Salaries and benefits	\$ 6,230,597	\$ 1,434,006	\$ 286,497	\$ 7,951,100
Subsidies and distributions	5,148,288	11,536	-	5,159,824
Professional services	1,581,602	413,718	248,925	2,244,245
Supplies and other	950,320	142,216	11,905	1,104,441
Tuition, room and board	1,014,605	-	-	1,014,605
Maintenance and repairs	738,053	127,411	10,603	876,067
Depreciation	578,808	90,048	14,469	683,325
Travel, meals and conferences attended	501,989	43,522	6,716	552,227
Utilities	369,328	63,588	7,331	440,247
Food and beverage	248,073	107,258	295	355,626
Postage and printing	139,976	17,571	52,891	210,438
Conferences given	198,162	2,487	-	200,649
Insurance	164,987	(2,061)	3,319	166,245
Interest	4,035	147,083	101	151,219
<b>Total Functional Expenses</b>	<b><u>\$ 17,868,823</u></b>	<b><u>\$ 2,598,383</u></b>	<b><u>\$ 643,052</u></b>	<b><u>\$ 21,110,258</u></b>

**2022**

	<b><u>Program</u></b>	<b><u>Management</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
	<b><u>Services</u></b>	<b><u>and General</u></b>		
Salaries and benefits	\$ 4,469,252	\$ 1,162,573	\$ 243,958	\$ 5,875,783
Subsidies and distributions	3,878,705	14,308	-	3,893,013
Professional services	1,251,792	434,952	219,563	1,906,307
Supplies and other	1,493,896	147,319	11,631	1,652,846
Tuition, room and board	945,633	-	-	945,633
Depreciation	552,753	83,327	14,617	650,697
Travel, meals and conferences attended	514,028	50,216	523	564,767
Maintenance and repairs	397,771	90,089	7,065	494,925
Utilities	388,463	60,802	8,646	457,911
Insurance	142,219	269,499	3,132	414,850
Food and beverage	219,010	69,169	2,734	290,913
Postage and printing	81,764	13,871	106,908	202,543
Conferences given	173,949	1,180	-	175,129
Interest	5,986	153,950	158	160,094
<b>Total Functional Expenses</b>	<b><u>\$ 14,515,221</u></b>	<b><u>\$ 2,551,255</u></b>	<b><u>\$ 618,935</u></b>	<b><u>\$ 17,685,411</u></b>

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



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**CATHOLIC DIOCESE OF NASHVILLE**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

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**Note 1 - Summary of Significant Accounting Policies**

***Organization and Purpose***

Catholic Diocese of Nashville (the Diocese) is a juridic person under canon law and an unincorporated religious association under the civil law of the State of Tennessee. The Diocese carries out religious activities primarily in and for the benefit of the Catholic community in the middle Tennessee area.

***Basis of Accounting***

The financial statements of the Diocese are prepared using the accrual basis of accounting, under which revenue is recognized when earned rather than when collected and expenses are recognized when incurred rather than when disbursed.

***Financial Statement Presentation***

For financial statement presentation, the Diocese reports its financial information according to two classes of net assets (net assets with and without restrictions) based on the existence or absence of donor-imposed restrictions.

***Net Assets Without Donor Restrictions***

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Diocese. Net assets without restrictions may be designated for specific purposes by the Bishop in consultation with the Chief Operating Officer (COO), the Chief Financial Officer (CFO), Finance Council and College of Consultors, as necessary, for specific long-term purposes.

***Net Assets With Donor Restrictions***

Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by actions of the Diocese pursuant to those restrictions or that expire by the passage of time.

Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

***Measure of Operations***

The Statements of Activities and Changes in Net Assets report changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Diocese's ongoing activities and interest and investment income. Non-operating activities are limited to resources that generate return from other investments, permanently restricted contributions, net assets released for capital expenditures, and other activities considered to be of a more unusual or non-recurring nature.

***Use of Estimates***

Management of the Diocese has made a number of estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Actual results could differ from these estimates.

***Program and Supporting Services - Functional Expenses***

The following program and supporting services are included in the accompanying financial statements on the statements of functional expenses.

**Program Services** - includes activities carried out to fulfill the Diocese's mission of "Living and Proclaiming the Good News of Jesus Christ, Welcoming All". Specific activities include school assistance, ministries, vocations, clergy benefits, educational services, communications and Parish assistance.

**Supporting Services - Management and General** - relates to the overall direction of the Diocese through the office of the Bishop. It encompasses the canonical offices required for a Diocese (Bishop, Vicar General, Chancellor, Tribunal, and CFO). These expenses are not identifiable with a particular program, event or fundraising, but are indispensable to the conduct of those activities and are essential to the Diocese. Specific activities include organizational oversight, Chancellor, business management, record keeping, budgeting, financing, and other administrative activities.

**Supporting Services - Fundraising** - includes cost of activities directed toward appeals for financial support and the cost of solicitations, and creation and distribution of fundraising materials.

***Classifications of Expenses***

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses, applicable to more than one function, are allocated on the basis of objectively summarized information or management estimates.

***Cash***

The Diocese maintains savings accounts and zero balance checking accounts at Truist Bank (Truist) through Catholic Community Investment and Loan, Inc. (CCIL). Other banks are used as needed for specific functions. Cash maintained within investment accounts is reported as investments in marketable securities.

***Self-Insured Medical Coverage***

The Diocese maintains a self-insured medical benefits plan administered by Blue Cross Blue Shield of Tennessee (BCBS-TN). A key consideration is to be able to define the terms of coverage consistent with Catholic teachings. It is anticipated this will also allow the Diocese to better manage costs and the impact on premium rate increases. Premium rates were established with the consultation of experts. Stop loss coverage was purchased to limit

catastrophic claim losses. Included in accounts payable and accrued expenses at June 30, 2023 and 2022, is an estimate of \$570,600 for incurred but not reported claims (IBNR).

Premium payments are recorded as revenue and netted against claim expenses and are included in service fees/materials supplied in the Statements of Activities and Changes in Net Assets. At June 30, 2023 and 2022, \$627,274 and \$585,859, respectively, is recorded as unrestricted designated - self-insured medical coverage.

***Investments in Marketable Securities***

Marketable securities are carried at estimated fair value as of June 30, 2023 and 2022. Gifts of marketable securities are recorded at the estimated fair market value at date of gift if retained or the sale price if immediately sold. Estimated fair market values are based primarily on quoted market prices. Realized gains or losses on the sale of marketable securities are recognized on the trade date based upon specific identification of the security sold and are included in the Statements of Activities and Changes in Net Assets.

The Diocese utilizes various investment instruments. The Diocese invests in fixed income securities including government bonds, publicly traded stocks and mutual funds and occasionally real property. At June 30, 2023 and 2022, the Diocese had no direct financial investment in financial derivatives. Investment securities, in general, are exposed to a variety of risks, such as interest rate, credit, business performance, world events and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably likely that changes in the estimated fair values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Statements of Financial Position and Statements of Activities and Changes in Net Assets.

***Accounts Receivable and Unconditional Promises to Give***

Accounts receivable from parishes and institutions are uncollateralized obligations for assessments, priests' retreats, employee and priest benefits and Catholic education. Receivables may include advances or loans to employees or diocesan entities. It is the Diocese's policy to charge off uncollectible accounts when management determines the receivable will not be collected. Late fees and interest are not assessed on delinquent accounts. The provision for doubtful accounts is estimated based on management's knowledge of the people, parishes, institutions, historical loss experience and existing economic conditions. At June 30, 2023 and 2022, approximately \$136,000 and \$39,000, respectively, of accounts receivable were greater than 90 days. Promises to give are only recorded as contributions when the donor makes an unconditional, legally enforceable promise to give. For the years ended June 30, 2023 and 2022, there is one unconditional promise to give, each which was subsequently paid, and which is donor restricted (See Note 16).

***Intentions to Give***

Each year the Diocese asks the Catholic community to submit pledge cards as part of the Bishop's Annual Appeal for Ministry indicating the donations the Catholics intend to give for budgeted diocese and pastoral services during the upcoming calendar year. The pledge cards are used only for budgetary purposes and are not considered legally enforceable commitments. As such, these pledges do not meet the criteria for revenue recognition under

U.S. GAAP. They are not reported as contributions in the Statements of Activities and Changes in Net Assets until the pledges are collected.

***Residual Interest in Trusts***

The Diocese is the beneficiary of certain perpetual trusts held and controlled by others. The estimated fair value of the underlying trust accounts are an asset in the accompanying Statements of Financial Position, although the Diocese has no access nor control over those funds. Contribution revenue is recognized at the date such trusts are established. Changes in the estimated fair value of the trust accounts are recognized as a gain or loss in the period such changes occur and income disbursements received from the trusts are recorded as revenue.

***Land, Buildings, and Equipment***

Land, buildings, and equipment are stated at cost, if purchased or constructed, or fair market value at date of gift if received by donation, net of accumulated depreciation and amortization. For buildings and systems/equipment, depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets or lease term, net of salvage value. Salvage value is estimated by asset type per the Diocese expense capitalization policy. Land is not depreciated and remains on the books at the purchase or donated value. Useful lives by asset category are as follows:

Land	Infinite
Buildings - other, additions, and improvements	30 - 50 years
Machinery and equipment	3 - 10 years
Furniture and fixtures	10 years
Vestments	20 years

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments costing more than \$5,000 per item are capitalized unless an exception is approved. All capitalized assets are inventoried and a record kept even if the item is fully depreciated. When assets are retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the Statements of Activities and Changes in Net Assets.

***Federal Income Taxes***

The Diocese is exempt from federal income taxes on related income as a religious organization under the Internal Revenue Code (IRC) Section 501(c)(3); accordingly, no provision for income taxes has been made in the accompanying financial statements. The Diocese, as a church, is also exempt from filing a U.S. Federal information tax return (Form 990).

The Diocese accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Diocese include, but

are not limited to, the tax-exempt status and determination of whether certain income is subject to unrelated business income tax; however, the Diocese has determined that such tax positions do not result in an uncertainty requiring recognition.

***Impairment of Long-Lived Assets***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairments have been recognized on any property at June 30, 2023 and 2022.

***Fair Value Measurements***

The Diocese follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Diocese groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are as follows:

**Level 1** - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

**Level 2** - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

**Level 3** - Unobservable inputs that cannot be corroborated by observable market data.

***Right-of-Use Assets and Liabilities***

Right-of-use (ROU) assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the

leases. ROU assets and liabilities are recognized at commencement date based on the present value of future lease payments over the lease term, which includes only payments that are fixed and determinable at the time of commencement. When readily determinable, the Diocese uses the interest rate implicit in a lease to determine the present value of future lease payments. For leases where the implicit rate is not readily determinable, the Diocese's incremental borrowing rate is used. The Diocese calculates incremental borrowing rate on a periodic basis using a third-party financial model that estimates the rate of interest the Diocese would have to pay to borrow an amount equal to the total lease payments on a collateralized basis over a term similar to the lease. The Diocese applies its incremental borrowing rate using a portfolio approach. The ROU assets also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Diocese will exercise such options.

***Revenue Recognition***

Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects consideration the Diocese expects to be entitled to in exchange for transferring those goods or services.

Revenue is recognized based on the following five step model:

- Identification of the contract
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price
- Recognition of revenue when, or as, the Diocese satisfies a performance obligation.

The Diocese's revenues primarily consist of assessments, contributions, including the Bishop's Annual Appeal for Ministries, and service fees.

Assessments are recognized on a monthly basis.

Contributions are considered unrestricted unless they are received with donor stipulations that limit their use either through purpose or time restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Services fees are recognized as the services are performed. Some fees are a flat monthly fee which are recognized on a monthly basis but some fees are for specific services or events which are billed separately and recognized when the specific service or event occurs.

***Donated Items***

Certain contributed supplies and specialized services are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. Contributed auction items for any special events are recorded at fair market value when determinable, otherwise at values indicated by the donor and then adjusted to the final bids from the auction. There were no material contributions of nonfinancial assets received during the years ended June 30, 2023 and 2022. Volunteer services, which neither create nor enhance non-financial assets or do not require specialized skills, are not recognized as support. Contributions of marketable securities are recorded at fair value on the date of the gift. It is the policy of the Diocese to sell contributed marketable securities within thirty days of the gift.

**Reclassifications**

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

**Note 2 - Adoption of New Accounting Pronouncement**

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 which requires lessees to recognize leases on the Statements of Financial Position and disclose key information about leasing arrangements.

ASU 2016-02 was subsequently amended by ASU 2018-01, *Land Easement Practical Expedient for Transition* to Topic 842; ASU 2018-10, *Codification Improvements* to Topic 842, *Leases*; and ASU 2018-11, *Targeted Improvements*. ASU 2016-02 establishes a ROU that requires a lessee to recognize a ROU asset and lease liability on the Statements of Financial Position for all leases with a term longer than 12 months. Leases are also classified as finance or operating, with classification affecting the pattern and classification of expense recognition on the Statements of Activities and Changes in Net Assets. The Diocese adopted the new standard effective July 1, 2022 using the optional alternative method of adoption. This method allows the Diocese to apply the new requirements to only those leases that exist as of July 1, 2022. There was no effect on the Statements of Activities and Changes in Net Assets as a result of this adoption. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

Using the adoption of the new lease standard, the Diocese has elected to apply the following package of practical expedients:

- Contracts need not be reassessed to determine whether they are or contain leases.
- All existing leases that were previously classified as operating leases continue to be classified as operating leases, and all existing leases that were previously classified as capital leases continue to be classified as finance leases.
- Initial direct costs need not be reassessed.

The Diocese has also elected the following practical expedients: (1) not to separate lease components from non-lease components, (2) as an accounting policy election, to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less, (3) the use of hindsight in determining the lease term and in assessing impairment of ROU assets, and (4) to apply the option not to assess whether existing or expired land easements that were not previously evaluated are or contain a lease.

At June 30, 2023, the Diocese had a singular lease accounted for as a finance lease. The Diocese had no operating leases that would qualify as a ROU asset and liability at June 30, 2023.

**Note 3 - Liquidity and Availability**

The Diocese’s financial assets available within one year of the Statements of Financial Position for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 9,892,115	\$ 5,975,774
Investments	11,644,978	10,729,972
Accounts and other receivables	<u>1,350,628</u>	<u>1,177,174</u>
Total financial assets	22,887,721	17,882,920
Less - Net assets with donor restrictions	(9,097,314)	(6,736,484)
Less - Net assets without donor restrictions - Board designated	<u>(2,173,328)</u>	<u>(3,583,621)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 11,617,079</u>	<u>\$ 7,562,815</u>

The Diocese’s goal generally is to maintain financial assets at a minimum of \$1,000,000. The amounts related to Board designated may be drawn upon in the event of an adverse financial occurrence.

**Note 4 - Funds on Deposit with Catholic Community Investment and Loan, Inc. (CCIL)**

As of June 30, 2023 and 2022, the Diocese has funds on deposit with Truist through CCIL. CCIL is a not-for-profit public benefit and charitable corporation established to benefit exclusively certain juridic persons within the diocese through loans to parishes and Diocesan institutions as well as to invest pooled deposits to provide a better return on those deposits to the account holders. The funds on deposit with CCIL are placed with Truist and insured to Federal Deposit Insurance Corporation (FDIC) limits or invested through brokerage firms. CCIL has private insurance for malfeasance losses up to \$2,000,000 per incident. In management’s opinion, these deposits are not subject to a significant risk of loss.



**Note 5 - Investments**

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of 85% and 86%, respectively, of the Diocese's investments in marketable securities at June 30, 2023 and 2022 is covered by the Securities Investor Protection Corporation (SIPC), which provides limited protection to investors. SIPC coverage is limited to specified investor-owned securities (notes, bonds, mutual funds, investment company securities, and registered securities) held by an insolvent SIPC member at the time a supervising trustee is appointed. The SIPC also protects against unauthorized trading in the Diocese's security account. SIPC coverage is limited to \$500,000 per customer, including \$250,000 for cash that is on deposit as the result of a security transaction. The SIPC protection does not insure against market risk.

A summary of investments as of June 30, 2023 and 2022 is as follows:

	<b>2023</b>		<b>2022</b>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and money market	\$ 414,990	\$ 414,990	\$ 471,792	\$ 471,792
Fixed income funds	<u>3,449,149</u>	<u>2,991,844</u>	<u>2,574,286</u>	<u>2,186,372</u>
Equity and mutual funds				
US funds	2,801,798	6,739,309	3,237,659	6,578,413
Non - US market funds	<u>1,695,278</u>	<u>1,498,835</u>	<u>1,892,661</u>	<u>1,493,395</u>
Total equity and mutual funds	<u>4,497,076</u>	<u>8,238,144</u>	<u>5,130,320</u>	<u>8,071,808</u>
Total marketable securities	8,361,215	11,644,978	8,176,398	10,729,972
Residual interest in trusts	<u>6,753,323</u>	<u>7,875,326</u>	<u>5,753,323</u>	<u>6,456,860</u>
Total investments	<u>\$ 15,114,538</u>	<u>\$ 19,520,304</u>	<u>\$ 13,929,721</u>	<u>\$ 17,186,832</u>

The following schedule summarizes the investment gains in the Statements of Activities and Changes in Net Assets for the years ended June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Interest and dividends	\$ 534,120	\$ 462,701
Unrealized and realized gain (loss) on investments, net	<u>1,037,378</u>	<u>(1,858,714)</u>
	<u>\$ 1,571,498</u>	<u>\$ (1,396,013)</u>

**Note 6 - Fair Value Measurements**

The estimated fair value amounts have been determined based on the Diocese’s assessment of available market information and appropriate valuation methodologies. All marketable securities, which total \$11,644,978 and \$10,729,972 at June 30, 2023 and 2022 (see Note 5 above), respectively, are measured at fair value on a recurring basis under FASB ASC 820, *Fair Value Measurements and Disclosures* using level 1. The Diocese does not hold any marketable securities measured using level 2 or level 3. The fair value of residual interest in trusts is based upon percent of beneficiary interest in the trust times its measured market value determined by the custodians of the funds. The fair value of the Diocese’s interest of the residual trust has been determined based on the net asset values of the underlying investments as a practical expedient and have not been classified in a level within the fair value hierarchy.

**Note 7 - Loans Payable**

On June 30, 2015, the Diocese entered into a six year \$8,500,000 loan agreement with a negative pledge. The loan was refinanced at \$7,500,000 for five years on October 28, 2020 with a maturity date of October 30, 2025. The loan bears interest at a rate of 2.11%. The current monthly principal and interest payments are \$38,443 with an approximate \$5,900,000 balloon payment due on October 30, 2025. The outstanding balance of the loan payable at June 30, 2023 and 2022 was \$6,674,922 and \$6,989,788, respectively.

The provisions of the loan place certain covenants upon the Diocese including maintaining a minimum of \$500,000 cash with the lender and the maintenance of certain debt covenants. The Diocese was in compliance with the required covenants at June 30, 2023 and June 30, 2022.

The expected aggregate maturities of the loan agreement are as follows:

<u>Year Ending June 30,</u>	<u>Principal Due</u>
2024	\$ 322,303
2025	329,170
2026	<u>6,023,449</u>
Total	<u>\$ 6,674,922</u>

**Note 8 - Land, Buildings, and Equipment**

A summary of land, buildings, and equipment as of June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 11,120,318	\$ 11,120,318
Buildings	14,974,749	12,735,035
Machinery and equipment	240,374	248,923
Automobiles	182,532	137,223
Furniture and fixtures	58,402	80,414
Rental property - Land	2,556,557	2,556,557
Rental property - Buildings	<u>9,147,000</u>	<u>9,147,000</u>
	38,279,932	36,025,470
Less - Accumulated depreciation and amortization	<u>(4,443,727)</u>	<u>(3,791,182)</u>
	<u>\$ 33,836,205</u>	<u>\$ 32,234,288</u>

For the years ended June 30, 2023 and 2022, depreciation expense was \$683,325 and \$650,697, respectively. Included in buildings is approximately \$2,235,000 and \$575,000 of construction in progress at June 30, 2023 and 2022, respectively. At June 30, 2022, rental property with a cost of \$305,418 and accumulated depreciation of \$163,737 was transferred to property held for sale which was sold in July 2022.

#### **Note 9 - Pension and Other Post Retirement Benefit Plans**

##### ***Defined Benefit Pension Plans***

The Diocese participates in a qualified noncontributory Internal Revenue Service (IRS) recognized church pension plan for all eligible lay employees of the Diocese and its related parishes and institutions (Lay Plan). Pension costs are funded by the Diocese for qualified Diocesan lay employees, and by the parishes and institutions for their qualified lay employees. Only the expenses associated with the Diocese employees are reflected in the accompanying financial statements. Management has also determined that the defined benefit plan qualifies for treatment as a multi-employer plan under U.S. GAAP. The disclosure requirements for this pronouncement are limited to a description of the multi-employer plan and the amount of pension cost recognized. Church pension plans are exempt from compliance with participation, vesting, reporting, and funding rules of the Employee Retirement Income Security Act of 1974 (ERISA).

The Diocese made quarterly contributions to the Lay Plan based on 5% of eligible salaries for calendar years 2023 and 2022. Total contributions by the Diocese during 2023 and 2022 were \$218,174 and \$154,602, respectively.

The Diocese, through the Priests Benefit Foundation (PBF), provides a qualified noncontributory defined benefit pension plan for incardinated priests of the Diocese (Priest Plan) who became 65 years of age after January 1, 1975. Contributions of \$223,530 and \$0 were made by the PBF into the Priest Plan in 2023 and 2022, respectively.

The Priest Plan made a change during the year ended June 30, 2021 to its plan by removing the cap on service years to calculate the benefit. There had been a cap of 25 years which will be removed in phases over 5 years to allow for actual years of service (the phase years are 27, 29, 32, 35, 39, all years). The impact on the actuarial liability has been calculated and funded.

An independent actuary prepares an annual actuarial valuation for both the Lay and Priest Plans.

The following table sets forth the defined benefit obligations, fair value of plan assets, and funded status of the noncontributory defined benefit pension plans as of the date of actuarial valuation:

	<u>December 31,</u> <u>2022 Lay</u>	<u>December 31,</u> <u>2021 Lay</u>	<u>June 30,</u> <u>2023 Priest</u>	<u>June 30,</u> <u>2022 Priest</u>
Pension benefits				
Benefit obligation at end of plan year	\$ (64,116,637)	\$ (60,319,153)	\$ (11,660,185)	\$ (10,628,623)
Plan assets at fair value at end of plan year	<u>62,320,882</u>	<u>76,391,516</u>	<u>13,834,901</u>	<u>12,736,833</u>
Funded (unfunded)	<u>\$ (1,795,755)</u>	<u>\$ 16,072,363</u>	<u>\$ 2,174,716</u>	<u>\$ 2,108,210</u>

The market value of the Lay Plan assets as of June 30, 2023 and 2022 was \$68,848,186 and \$62,127,542, respectively.

The Lay Plan and the Priest Plan assets are susceptible to market fluctuations. Actuary funding calculations are based on necessary funding provisions and are adjusted on an annual basis. Funding obligations are passed through to the Diocese, parishes, and institutions for their respective qualified employees.

***Defined Contribution Retirement Plan (403b)***

The Diocese has an Employee's Retirement Savings Plan (the Plan) covering participating lay employees and priests in the Diocese and parishes, and certain institutions within the Diocese. The Plan is a defined contribution plan under IRC Section 403(b)(9), whereby member employers contributed a standard percentage of payroll as recommended by the Actuaries and Lay Retirement Committee.

Participating employers currently contribute a dollar for dollar match equal to the participating lay employee's contribution up to 3% of that employee's payroll. The Diocese contributes a flat 4% of a priest's salary into their Plan whether they contribute or not. Employees and priests may contribute additional amounts up to the IRS limitations. All participants are immediately

vested fully in their individual and employer contributions. The Diocese recognized contributions to these Plans of \$251,114 and \$176,610 in 2023 and 2022, respectively.

***Priest Post-Retirement Health Benefits***

The Diocese, through the PBF, provides supplemental post-retirement health benefits (HB Plan) to incardinated priests of the Diocese who retain faculties granted from the Bishop for the Diocese. This obligation is met through the PBF. The PBF also provides assistance to covered diocesan priests for whom the Diocese could not purchase long-term care insurance or required financial medical assistance during retirement. Under the HB Plan, which is fully self-insured, supplemental benefits are provided for qualifying medical expenses (primarily major medical, dental, and vision benefits) and long-term care.

A separate trust (Priests Medical Trust) has been established to manage and invest funds designated for the post-retirement health benefits for priests. The Trust balance was \$3,505,608 and \$3,041,179 as of June 30, 2023 and 2022, respectively. The trust is targeted to hold \$3,500,000 for future benefits.

The pension and medical trust funds have been legally transferred from the Diocese to the PBF, who assumed the accumulated benefit obligation in its entirety. Accordingly, since the funds and the liability are now under the control of the PBF and not the Diocese, the related assets and liabilities are not reflected in these financial statements.

***Priests Individual Needs Trust***

A separate trust has been established to manage and invest funds designated for the individual needs of priests (i.e. sabbaticals, education, special needs, burial). As of June 30, 2023 and 2022, the value of cash and investments in the Priest Individual Needs Trust was \$831,102 and \$741,980, respectively.

***Retired Bishop's Supplemental Retirement Funds***

A commitment has been made to provide supplemental retirement benefits to the Bishop for the Diocese, if he retires while in office in Nashville. An initial corpus of \$60,000 was set aside for this purpose in the Priest Individual Needs Trust. No payment obligation exists at this time. Trust balance as of June 30, 2023 and 2022 is \$77,058 and \$71,970, respectively.

**Note 10 - Net Assets**

Net assets without donor restrictions - Board designated are those assets received for a specific purpose, and designated by the Diocese for the following purpose or periods:

**Catholic Diocese of Nashville**  
Notes to Financial Statements (Continued)

	<u>2023</u>	<u>2022</u>
Physical plant	\$ 31,362,648	\$ 29,986,829
Church ministry	201,408	1,819,169
Cemetery perpetual care	604,933	526,244
Priest benefits	646,741	652,349
Self-insured medical coverage	<u>627,274</u>	<u>585,859</u>
	<u>\$ 33,443,004</u>	<u>\$ 33,570,450</u>

The Cemetery perpetual care net assets represent contractual obligations established through exchange transactions. Priest benefits nets assets are funds assessed and collected from Parishes for this restricted purpose.

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

	<u>2023</u>	<u>2022</u>
Parish assistance	\$ 4,146,236	\$ 3,988,860
Residual interests in trusts (income substantially restricted to seminarian education)	7,875,326	6,456,860
Vocations	1,790,634	1,529,321
Unity Hall project	3,128,586	1,000,000
Annuities	-	165,128
Programs	<u>31,859</u>	<u>53,175</u>
	<u>\$ 16,972,641</u>	<u>\$ 13,193,344</u>

**Note 11 - Residual Interest**

The Diocese is the beneficiary of two types of restricted trust funds. (1) Donors who have designated the Diocese as the beneficiaries of trust funds for a stated purpose. (2) Funds received through contractual obligations to use funds for the stated restricted purpose.

The State of Tennessee has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As prescribed by UPMIFA, the Diocese intends to preserve 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 net assets with permanent donor restrictions (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 net assets with permanent donor restrictions is classified as net assets with temporary donor

restrictions until those amounts are appropriated for expenditures by the Diocese in a manner consistent with the standard of prudence prescribed by UPMIFA. Although not bound by it, in taking guidance from the UPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the 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
- (8) The needs of the beneficiaries

At June 30, 2023 and 2022, the endowment funds are composed of:

	<u>2023</u>	<u>2022</u>
Seminarian vocations	\$ 6,494,505	\$ 4,862,607
Calvary Cemetery	1,237,321	1,448,961
Tuition assistance	<u>143,500</u>	<u>145,292</u>
Residual interests in trusts	<u>\$ 7,875,326</u>	<u>\$ 6,456,860</u>

#### **Note 12 - Subsidies and Other Distributions**

Details of subsidies and other distributions provided to various individuals and entities for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Grants to		
Schools	\$ 2,856,770	\$ 1,913,871
Diocesan institutions	1,557,508	1,249,147
Parishes	421,845	625,850
Family and individual assistance	29,338	40,643
Campus ministry	36,000	45,000
Catholic institutions	19,667	14,308
Trust beneficiaries	<u>238,696</u>	<u>4,194</u>
	<u>\$ 5,159,824</u>	<u>\$ 3,893,013</u>

#### **Note 13 - Property Usage Arrangements**

##### ***Facility Usage and Land Lease Revenues***

The Diocese owns several properties devoted to ministries of the Diocese and providing housing to priests. Each arrangement is discussed below.

The Diocese entered into an operating lease agreement on October 1, 2015 with Catholic Charities of Tennessee, Inc. (Catholic Charities). The lease covered the period from April 1, 2015 to June 30, 2020. Catholic Charities has the right to renew the lease for up to three successive additional five-year terms. Catholic Charities renewed their lease through June 30, 2025. Annual income of \$396,000 and \$378,000 is recorded as service fees/materials supplied fee income in the Statements of Activities and Changes in Net Assets as of June 30, 2023 and 2022, respectively.

The Diocese is the lessor of a long-term operating land lease with Mary Queen of Angels for \$1 a year. The Mary Queen of Angels land lease of 2.95 acres began in August 2000 and matures in 2040. Mary Queen of Angels constructed a facility in 2001 that will belong to the Diocese at the end of the lease period.

The Diocese is the lessor of a long-term operating property lease with Villa Maria Manor for an annual rental fee of \$1 that terminates in June 2059. During 2023 and 2022, the fair market value, as determined by market comparables, of the rental income revenue of \$600,000 and contributed rental expense of \$599,999 was recorded in service fees/materials supplied and, subsidies and distributions, respectively, in the Statements of Activities and Changes in Net Assets.

The Diocese is the lessor under three land leases with Camp Marymount. One lease covers 160 acres at \$1 a year for 50 years (2006-2056) and is the original property of the camp and the most usable portion. This lease has a contingent option allowing Camp Marymount to purchase the land. The second lease is for 200 acres acquired through a land swap involving other land donated to the Diocese and is a one-year evergreen lease at \$1 a year. This land is only partially usable due to the terrain. The third lease of ten acres with two houses was entered into in January 2014 for \$1 per year as an annual evergreen lease. The second and third leases do not include options to purchase.

The Diocese is the lessor of a long-term operating lease with St. Michael Academy, Inc. (St. Michael), currently under construction, for an annual rental fee of \$1 that terminates in August 2121.

A donor restricted fund owned by the Diocese owns a parking lot adjacent to St. Mary's of the Seven Sorrows Church that is leased to a private operator. The Diocese entered into a five-year contract in October 2013 and, by contract, extended the lease through December 31, 2024. The property is recorded on the Diocese's books as rental property and a donor restricted net asset. All income and expense associated with the parking lot is recorded to that temporarily restricted fund and the financial statements accordingly. As a result of COVID-19, the lease payments were mutually agreed to be significantly reduced for the past several years, or about 43% for the year ended June 30, 2023 and 25% for the year ended June 30, 2022, of the original contract rate, until activity resumes to pre-COVID-19 levels.

Sagrado Corazon Church Community (Sagrado Corazon) and Hispanic Ministries resides in the Catholic Pastoral Center. For the years ended June 30, 2023 and 2022, the annual lease



payment was \$342,000. Sagrado Corazon and Hispanic Ministries contributed use fees income to the Diocese during 2023 and 2022, which were eliminated in the combining of the financial statements.

Tennessee Register also resides in the Catholic Pastoral Center. For the year ended June 30, 2023 this fee was included in a management agreement between the Diocese and Tennessee Register. For the year ended June 30, 2022, the annual lease payment was \$72,000.

The Diocese owns several houses that are used by the priests and seminarians of diocesan entities. In some instances, a use fee is provided by the person or entity benefiting from the use of the property. Annual income of approximately \$12,000 is recorded as service fees/materials supplied income in the Statements of Activities and Changes in Net Assets for the years ended June 30, 2023 and 2022.

The following is a schedule by years of future minimum rental income under the leases at June 30, 2023:

2024	\$ 996,834
2025	<u>772,994</u>
Total minimum lease payments receivable	<u>\$ 1,769,828</u>

As of June 30, 2023 and 2022, accumulated depreciation for rental property-buildings (See Note 7) was approximately \$1,435,000 and \$1,269,000, respectively.

***Lease Expenses***

The Diocese leased equipment under various operating leases all of which expired during the year ended June 30, 2023. Expenses incurred to operate and maintain these assets was approximately \$7,000 in 2023 and 2022, respectively.

The Diocese has capitalized the present value of office equipment leases in the amount of \$78,625 with related accumulated depreciation of \$66,831 and \$51,106 at June 30, 2023 and 2022, respectively. Minimum future lease payments at June 30, 2023 are as follows:

2024	\$ 17,803
Future minimum payments	17,803
Less imputed interest	<u>(1,236)</u>
	<u>\$ 16,567</u>

**Note 14 - Management Service Agreements**

The Diocese has entered into a management service agreement with CCIL. The services provided under the agreement include general administration and accounting services, through its personnel and facilities. Services include, but are not limited to, administration of parish and/or institution deposits; loan administration; treasury services related to investment of funds on deposit; general bookkeeping and record keeping services; data processing; filing and accounting for all revenue and expenditures of CCIL; and accounting and management support for the annual audit. The contract automatically renews each year unless terminated. The contracted fee for performance of these services was \$204,000 and \$144,000 for 2023 and 2022, respectively.

The Diocese has a service agreement with Tennessee Register to provide media services. The fee paid by Tennessee Register was \$500,000 in 2023.

The Diocese has a service agreement with Catholic Charities to provide human resources services, and accounting software systems. The fee paid by Catholic Charities was approximately \$35,000 in 2023 and 2022.

The Diocese also provides management and accounting services to the Catholic Foundation - Diocese of Nashville (CF - DON), Advancement for Catholic Education (ACE), Hand in Hand Options (HIHO), Tennessee Register, Catholic Radio (WBOU), Priest Benefit Foundation, and St. Michael.

**Note 15 - Risk on Uninsured Cash**

The standard FDIC insurance amount is \$250,000 per depositor, per insured bank; and therefore, amounts in excess of \$250,000 held by the Diocese during the current year were uninsured and uncollateralized. The Diocese is aware of the insured limitation and has not experienced any losses in such accounts and management believes the Diocese is not exposed to any significant credit risk related to cash.

**Note 16 - Commitments and Contingencies**

***Sagrado Corazon Unity Hall***

The Diocese has committed to an expansion project for the Unity Hall for Sagrado Corazon at an approximate cost of \$9,500,000. The Diocese received a conditional promise to give of \$4,000,000 from Mary Queen of Angels Inc., of which \$62,500 and \$1,000,000 is recorded as an unconditional promise to give at June 30, 2023 and 2022, respectively, and each was paid subsequent to year end. For June 30, 2023, Mary Queen of Angels Inc. donated \$750,000 to this project. Therefore, at June 30, 2023, the remaining conditional promise to give is \$2,250,000. CCIL has also approved a \$6,000,000 line of credit to assist in the construction which is unused at June 30, 2023. The line is unsecured and expires March 31, 2030. Included

in buildings is construction in progress of approximately \$2,100,000 and \$170,000 related to this project June 30, 2023 and 2022, respectively.

***Conditional Future Gifts***

CCIL has stated a willingness to contribute, subject to certain conditions, up to \$5,000,000 to assist the Diocese with its mission as funds are available, of which \$0 and \$1,000,000 has been donated as of June 30, 2023 and 2022, respectively. This is a historical role of the predecessor Deposit and Loan Fund before CCIL was created.

***Litigation***

The Diocese is involved in litigation from time-to-time arising in the ordinary course of business. In the opinion of management and general counsel, there is presently no litigation pending which could likely have a material adverse effect on the financial position of the Diocese.

***Other***

St. Michael, located in Nolensville, Tennessee, has begun construction of a projected \$60,000,000 educational facility. Cash donations and outstanding pledges (unconditional and conditional) of approximately \$38,500,000 have been received by St. Michael. The Diocese has donated or committed \$8,500,000. Of that amount, \$1,000,000 is still conditional and \$2,500,000 subsequently paid after year end. Financing for construction, furniture, fixtures, and equipment up to \$40,000,000 has been achieved through a tax-exempt bond issuance. The Diocese is a guarantor on the financing.

**Note 17 - Subsequent Events**

In September 2023, the Diocese entered into an agreement with Pinnacle Bank for a \$3,000,000 unsecured line of credit. While the Diocese does not anticipate using this line of credit, it is available in the event additional liquidity is needed.

The Diocese has evaluated subsequent events through September 18, 2023, the date the financial statements were available for issuance, and has determined that there are no additional subsequent events that require disclosure.

**Note 18 - Recent Accounting Standards**

From time-to-time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the Diocese adopts as of the specified effective date. Unless otherwise discussed, management believes the impact of any other recently issued standards that are not yet effective are either not applicable at this time or will not have a material impact on the financial statements upon adoption.