

**CATHOLIC DIOCESE OF NASHVILLE**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**JUNE 30, 2024 AND 2023**

**CATHOLIC DIOCESE OF NASHVILLE**

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**June 30, 2024 and 2023**

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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, 2024 and 2023, 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, 2024 and 2023, 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, 2024

**CATHOLIC DIOCESE OF NASHVILLE**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b><u>Assets</u></b>		
Cash	\$ 4,963,586	\$ 9,892,115
Investments in marketable securities	12,945,914	11,644,978
Accounts and other receivables, net of provision for credit losses of \$5,416 in 2024 and \$5,296 in 2023	1,600,993	1,288,128
Unconditional promise to give	-	62,500
Land, buildings, and equipment, net	36,144,462	33,836,205
Right-of-Use assets	171,204	-
Other assets	13,921	-
Residual interest in trusts	<u>9,021,390</u>	<u>7,875,326</u>
<b>Total Assets</b>	<b><u>\$ 64,861,470</u></b>	<b><u>\$ 64,599,252</u></b>
<b><u>Liabilities and Net Assets</u></b>		
Accounts payable and accrued expenses	\$ 2,698,216	\$ 3,261,361
Grant payable	-	2,500,000
Loans payable	6,353,639	6,674,922
Right-of-Use financing lease	168,708	-
Other liabilities	<u>271,314</u>	<u>253,797</u>
<b>Total Liabilities</b>	<b><u>9,491,877</u></b>	<b><u>12,690,080</u></b>
<b>Net Assets</b>		
Without donor restrictions	3,790,587	1,493,527
Without donor restrictions - Designated	27,079,187	33,443,004
With donor restrictions	<u>24,499,819</u>	<u>16,972,641</u>
<b>Total Net Assets</b>	<b><u>55,369,593</u></b>	<b><u>51,909,172</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 64,861,470</u></b>	<b><u>\$ 64,599,252</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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
<b>Operating Support and Revenues</b>		
Assessments	\$ 7,668,526	\$ 6,529,478
Service fees/materials supplied	4,209,666	4,026,741
Contributions	5,079,112	3,857,508
Gain on disposal of assets	288,389	2,698,284
Investment income	95,864	1,052,725
Program grants	33,531	37,333
<b>Total Operating Support and Revenues Without Donor Restrictions</b>	<u>17,375,088</u>	<u>18,202,069</u>
<b>Net Assets Released From Restrictions</b>		
Satisfaction of donor restrictions	1,323,385	1,522,678
Expiration of time restrictions	168,954	726,293
<b>Total Net Assets Released From Restrictions</b>	<u>1,492,339</u>	<u>2,248,971</u>
<b>Total Support and Revenues Without Donor Restrictions</b>	<u>18,867,427</u>	<u>20,451,040</u>
<b>Expenses</b>		
<b>Program Services</b>		
School and institutional assistance	4,795,153	3,803,519
Pastoral, social and educational services	3,296,425	3,403,846
Ministries (youth, elderly, campus and ethnic)	2,019,947	2,029,700
Clergy benefits	2,091,771	1,854,335
Program facilities and depreciation	1,683,264	1,851,710
Vocations	2,323,771	1,751,572
Communications	2,109,448	1,725,033
Parish and institutional assistance	1,512,971	683,999
Cemeteries	437,943	477,802
Family assistance and payments to beneficiaries	19,573	287,307
<b>Total Program Services</b>	<u>20,290,266</u>	<u>17,868,823</u>
<b>Management and General</b>		
Governance	2,831,375	2,505,002
Insurance and worker's compensation	164,802	93,381
<b>Total Management and General</b>	<u>2,996,177</u>	<u>2,598,383</u>
<b>Fundraising Expenditures</b>	<u>793,805</u>	<u>643,052</u>
<b>Total Expenses</b>	<u>24,080,248</u>	<u>21,110,258</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions	6,906,972	3,745,564
Change in value of residual interest	1,146,064	1,418,467
Investment income	1,744,608	518,773
Service fees/materials supplied	272,937	240,464
Program grants	95,000	105,000
<b>Net Assets Released From Restrictions</b>	<u>(1,492,339)</u>	<u>(2,248,971)</u>
Increase in net assets with donor restrictions	<u>8,673,242</u>	<u>3,779,297</u>
<b>Change in Net Assets</b>	<u>3,460,421</u>	<u>3,120,079</u>
<b>Net Assets - Beginning of Year</b>	<u>51,909,172</u>	<u>48,789,093</u>
<b>Net Assets - End of Year</b>	<u>\$ 55,369,593</u>	<u>\$ 51,909,172</u>

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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 3,460,421	\$ 3,120,079
<b>Adjustments to Reconcile Change in Net Assets to</b>		
<b>Net Cash Provided by Operating Activities</b>		
Depreciation	715,987	683,325
Net realized and unrealized (gain) loss on marketable securities	(1,389,498)	(1,037,378)
Unrealized gain, reclassifications, and adjustments of residual interests in trusts	(1,146,064)	(1,418,467)
Gain on disposal of assets	(288,389)	(2,698,284)
Grants of land and building	4,187,897	-
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(312,865)	(110,954)
(Increase) decrease in unconditional promise to give	62,500	937,500
(Increase) decrease in other assets	(13,921)	58,779
Increase (decrease) in accounts payable and accrued expenses	(563,145)	1,432,788
Increase (decrease) in grant payable	(2,500,000)	2,500,000
Increase (decrease) in other liabilities	<u>15,236</u>	<u>(139,374)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>2,228,159</u>	<u>3,328,014</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds (purchases) from sale of investments in marketable securities, net	88,552	122,372
Proceeds from sale of property and property held for sale	352,596	3,352,940
Purchase of land, buildings, and equipment	<u>(7,276,283)</u>	<u>(2,572,119)</u>
<b>Net Cash Provided by (Used for) Investing Activities</b>	<u>(6,835,135)</u>	<u>903,193</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from loans payable, net of contribution	1,500,000	-
Repayments on loans payable	<u>(1,821,283)</u>	<u>(314,866)</u>
<b>Net Cash Used for Financing Activities</b>	<u>(321,283)</u>	<u>(314,866)</u>
<b>Net Change in Cash</b>	(4,928,259)	3,916,341
<b>Cash - Beginning of Year</b>	<u>9,892,115</u>	<u>5,975,774</u>
<b>Cash - End of Year</b>	<u>\$ 4,963,856</u>	<u>\$ 9,892,115</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for interest	<u>\$ 141,276</u>	<u>\$ 151,219</u>

**Non-cash transactions**

During the year ended June 30, 2024, CCIL forgave \$3,000,000 of debt as a contribution and the Diocese capitalized Right-of-Use financing leases assets and liabilities totaling \$171,204.

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, 2024 and 2023**

**2024**

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</u></b>
Salaries and benefits	\$ 6,611,131	\$ 1,502,344	\$ 390,901	\$ 8,504,376
Subsidies and distributions	6,686,896	4,397	-	6,691,293
Professional services	1,799,796	733,941	279,856	2,813,593
Tuition, room and board	1,290,091	-	-	1,290,091
Supplies and other	919,984	119,513	15,649	1,055,146
Maintenance and repairs	614,443	124,204	12,587	751,234
Depreciation	599,702	97,235	19,051	715,988
Travel, meals and conferences attended	505,228	41,477	645	547,350
Food and beverage	311,408	126,887	953	439,248
Utilities	357,571	57,904	8,936	424,411
Postage and printing	246,683	13,393	58,571	318,647
Conferences given	253,000	4,133	-	257,133
Interest	1,035	140,979	33	142,047
Conferences attended	58,628	7,786	6,623	73,037
Insurance	34,670	21,984	-	56,654
<b>Total Functional Expenses</b>	<b><u>\$ 20,290,266</u></b>	<b><u>\$ 2,996,177</u></b>	<b><u>\$ 793,805</u></b>	<b><u>\$ 24,080,248</u></b>

**2023**

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>Total</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>

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, 2024 and 2023**

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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 currently at First Horizon Bank 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, 2024 and 2023, is an estimate of \$570,600 for incurred but not reported claims (IBNR).

Premium payments received from Parishes and plan participants 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, 2024 and 2023, \$666,598 and \$627,274, 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, 2024 and 2023. 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, 2024 and 2023, 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 credit losses has a component based on management's knowledge of the people, parishes, institutions with known collection problems (specific reserve), a component based on historical loss experience, less the specific component of the allowance (general reserve), and reasonable and supportable forecasts of future economic conditions. At June 30, 2024 and 2023, approximately \$240,400 and \$136,000, 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 year ended June 30, 2024, there are no conditional promises to give. For the year ended June 30, 2023, there was one unconditional promise to give, which was subsequently paid, and which was donor restricted.

***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, 2024 and 2023.

***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 that have terms greater than twelve months 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.

Service 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, 2024 or 2023. 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.

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

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which modifies the measurement of expected credit losses on certain financial instruments. In March 2022, the FASB issued ASU No. 2022-02, *Troubled Debt Restructurings and Vintage Disclosures* (ASU 2022-02), which updated the requirements of ASU 2016-13 and added enhanced disclosures for creditors with respect to loan refinancings and restructuring for borrowers experiencing financial difficulty. The Diocese adopted the new standards effective July 1, 2023. There was no effect on the Statements of Financial Position as a result of these adoptions.

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.

**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>2024</u>	<u>2023</u>
Cash	\$ 4,963,586	\$ 9,892,115
Investments	12,945,914	11,644,978
Accounts and other receivables	<u>1,600,993</u>	<u>1,350,628</u>
Total financial assets	19,510,493	22,887,721
Less - Net assets with donor restrictions	(6,615,190)	(9,097,314)
Less - Net assets without donor restrictions - Board designated	<u>(2,271,521)</u>	<u>(2,173,328)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,623,782</u>	<u>\$ 11,617,079</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, 2024 and 2023, the Diocese has funds on deposit with banks 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 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 83% and 85%, respectively, of the Diocese's investments in marketable securities at June 30, 2024 and 2023 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, 2024 and 2023 is as follows:

	<b>2024</b>		<b>2023</b>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and money market	\$ 5,482,415	\$ 5,482,415	\$ 414,990	\$ 414,990
Fixed income funds	1,773,825	1,859,783	3,449,149	2,991,844
Equity and mutual funds				
US funds	1,794,262	4,774,377	2,801,798	6,739,309
Non - US market funds	699,196	829,339	1,695,278	1,498,835
Total equity and mutual funds	<u>2,493,458</u>	<u>5,603,716</u>	<u>4,497,076</u>	<u>8,238,144</u>
Total marketable securities	9,749,698	12,945,914	8,361,215	11,644,978
Residual interest in trusts	<u>7,243,323</u>	<u>9,021,390</u>	<u>6,753,323</u>	<u>7,875,326</u>
Total investments	<u>\$ 16,993,021</u>	<u>\$ 21,967,304</u>	<u>\$ 15,114,538</u>	<u>\$ 19,520,304</u>

The following schedule summarizes the investment gains in the Statements of Activities and Changes in Net Assets for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 450,974	\$ 534,120
Unrealized and realized gain on investments, net	<u>1,389,498</u>	<u>1,037,378</u>
	<u>\$ 1,840,472</u>	<u>\$ 1,571,498</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 \$12,945,914 and \$11,644,978 at June 30, 2024 and 2023 (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 bank 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, 2024 and 2023 was \$6,353,639 and \$6,674,922, 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, 2024 and June 30, 2023.

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

<u>Year Ending June 30,</u>	<u>Principal Due</u>
2025	\$ 329,170
2026	<u>6,024,469</u>
Total	<u>\$ 6,353,639</u>

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

A summary of land, buildings, and equipment as of June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Land	\$ 7,449,973	\$ 11,120,318
Buildings	21,548,745	14,974,749
Machinery and equipment	240,374	240,374
Automobiles	182,532	182,532
Furniture and fixtures	58,402	58,402
Rental property - Land	2,556,557	2,556,557
Rental property - Buildings	<u>9,147,000</u>	<u>9,147,000</u>
	41,183,583	38,279,932
Less - Accumulated depreciation and amortization	<u>(5,039,121)</u>	<u>(4,443,727)</u>
	<u>\$ 36,144,462</u>	<u>\$ 33,836,205</u>

Included in buildings is approximately \$9,174,000 and \$2,235,000 of construction in progress for multiple projects at June 30, 2024 and 2023, respectively.

## **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 2024 and 2023. Total contributions by the Diocese during 2024 and 2023 were \$232,960 and \$218,174, 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 \$309,643 and \$223,530 were made by the PBF into the Priest Plan in 2024 and 2023, 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:

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

	<u>December 31, 2023 Lay</u>	<u>December 31, 2022 Lay</u>	<u>June 30, 2024 Priest</u>	<u>June 30, 2023 Priest</u>
Pension benefits				
Benefit obligation at end of plan year	\$ (66,284,322)	\$ (64,116,637)	\$ (12,468,754)	\$ (11,660,185)
Plan assets at fair value at end of plan year	<u>72,755,995</u>	<u>62,320,882</u>	<u>15,375,436</u>	<u>13,834,901</u>
Funded (unfunded)	<u>\$ 6,471,673</u>	<u>\$ (1,795,755)</u>	<u>\$ 2,906,682</u>	<u>\$ 2,174,716</u>

The market value of the Lay Plan assets as of June 30, 2024 and 2023 was \$78,449,404 and \$68,848,186, 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 \$227,103 and \$251,114 in 2024 and 2023, 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 \$4,073,227 and \$3,505,608 as of June 30, 2024 and 2023, 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, 2024 and 2023, the value of cash and investments in the Priest Individual Needs Trust was \$965,675 and \$831,102, 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, 2024 and 2023 is \$81,247 and \$77,058, 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:

	<u>2024</u>	<u>2023</u>
Physical plant	\$ 24,807,665	\$ 31,362,648
Church ministry	168,214	201,408
Cemetery perpetual care	716,459	604,933
Priest benefits	720,251	646,741
Self-insured medical coverage	<u>666,598</u>	<u>627,274</u>
	<u>\$ 27,079,187</u>	<u>\$ 33,443,004</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><b>2024</b></u>	<u><b>2023</b></u>
Parish assistance	\$ 4,384,326	\$ 4,146,236
Residual interests in trusts (income substantially restricted to seminarian education)	9,021,390	7,875,326
Vocations	2,205,339	1,790,634
Unity Hall project	8,863,239	3,128,586
Programs	<u>25,525</u>	<u>31,859</u>
	<u><u>\$ 24,499,819</u></u>	<u><u>\$ 16,972,641</u></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, 2024 and 2023, the endowment funds are composed of:

	<u>2024</u>	<u>2023</u>
Seminarian vocations	\$ 7,561,810	\$ 6,494,505
Calvary Cemetery	1,313,025	1,237,321
Tuition assistance	<u>146,555</u>	<u>143,500</u>
Residual interests in trusts	<u>\$ 9,021,390</u>	<u>\$ 7,875,326</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, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Grants to		
Schools	\$ 4,225,153	\$ 2,856,770
Diocesan institutions	1,158,041	1,557,508
Parishes	1,231,746	421,845
Family and individual assistance	35,512	29,338
Campus ministry	36,000	36,000
Catholic institutions	4,397	19,667
Trust beneficiaries	<u>444</u>	<u>238,696</u>
	<u>\$ 6,691,293</u>	<u>\$ 5,159,824</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 \$408,000 and \$396,000 is recorded as service fees/materials supplied fee income in the Statements of Activities and Changes in Net Assets as of June 30, 2024 and 2023, 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 2024 and 2023, 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 was the lessor of a long-term operating lease with St. Michael Academy, Inc. (St. Michael), previously under construction, for an annual rental fee of \$1 that terminated in August 2121. During the year ended June 30, 2024, the Diocese contributed the land and building to St. Michael.

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 45% for the year ended June 30, 2024 and 43% for the year ended June 30, 2023, of the original contract rate, until activity resumes to pre-COVID-19 levels.

Sagrado Corazon Church Community (Sagrado Corazon) and Hispanic Ministries reside in the Catholic Pastoral Center. Effective June 7, 2024, Sagrado Corazon incorporated and a separate parish was established. For the years ended June 30, 2024 and 2023, the annual lease payment was \$342,000. Sagrado Corazon (for eleven months) and Hispanic Ministries contributed use fees income to the Diocese during 2024 and 2023, which were eliminated in the combining of the financial statements.

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, 2024 and 2023.



The following is a schedule by years of future minimum rental income under the leases at June 30, 2024:

2025	<u>\$ 772,994</u>
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As of June 30, 2024 and 2023, accumulated depreciation for rental property-buildings (See Note 7) was approximately \$1,616,000 and \$1,435,000, respectively.

***Lease Expense***

In June 2024, the Diocese capitalized the present value of office equipment leases in the amount of \$171,204 with no related accumulated depreciation at June 30, 2024 and the prior financing lease ended. Minimum future lease payments at June 30, 2024 are as follows:

2025	\$ 39,240
2026	39,240
2027	39,240
2028	39,240
2029	<u>35,970</u>
Future minimum payments	192,930
Less imputed interest	<u>(24,222)</u>
	<u>\$ 168,708</u>

Cash payments under the financing lease for 2024 were \$3,270. The following table presents the weighted average remaining lease term and discount related to the financing lease:

Weighted-average remaining lease term	4.90 years
Weighted-average discount rate	5.50%

There are no other material financing or operating leases that exceed one year.

**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 for 2024 and 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 2024 and 2023.

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 which was completed and placed in service on September 4, 2024. The Diocese received a conditional promise to give of \$4,000,000 from Mary Queen of Angels Inc. (MQA), of which \$2,250,000 was remaining at June 30, 2023, of which \$62,500 was recorded as an unconditional promise to give at June 30, 2023 which was paid subsequent to year end. During the year ended June 30, 2024, MQA contributed approximately \$2,220,000 fulfilling their commitment. CCIL had also approved a \$6,000,000 line of credit to assist in the construction which was unused at June 30, 2023 and was closed during the year ended June 30, 2024. Included in buildings is construction in progress of approximately \$8,900,000 and \$2,100,000 related to this project June 30, 2024 and 2023, respectively.

##### ***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***

In July 2024, St. Michael, located in Nolensville, Tennessee, has completed construction of a projected \$60,000,000 educational facility. 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. The balance on the bonds at June 30, 2024 is approximately \$38,180,000.

In September 2023, the Diocese entered into an agreement with Pinnacle Bank for a \$3,000,000 unsecured line of credit that matures December 31, 2025. While the Diocese does not anticipate using this line of credit, it is available in the event additional liquidity is needed. The line is unused as of June 30, 2024.

**Note 17 - Subsequent Events**

The Diocese has evaluated subsequent events through September 18, 2024, the date the financial statements were available for issuance, and has determined that there are no additional subsequent events that require disclosure.