# CATHOLIC DIOCESE OF NASHVILLE

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

## JUNE 30, 2026 AND 2025

**CATHOLIC DIOCESE OF NASHVILLE**

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PURYEAR & NOONAN, CPAs

**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, 2026 and 2025, 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, 2026 and 2025, 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.



40 Burton Hills Blvd. | Suite 170 | Nashville, TN 37215 p: (615) 296-0500 | f: (615) 296-0493
pn-cpas.com

***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
October 7, 2026

**CATHOLIC DIOCESE OF NASHVILLE**
**Statements of Financial Position**
**June 30, 2026 and 2025**

| | 2026 | 2025 |
|---|---|---|
| **Assets** | | |
| Cash | $ 6,529,803 | $ 5,040,897 |
| Investments | 2,709,883 | 14,188,577 |
| Accounts and other receivables, net of provision for credit losses of $33,469 in 2026 and 2025 | 1,585,807 | 1,442,437 |
| Land, buildings, and equipment, net | 35,373,346 | 35,878,602 |
| Right-of-Use assets, net | 103,194 | 136,383 |
| Other assets | 378,373 | - |
| Interest in assets held by others | 12,451,183 | 5,026,669 |
| **Total Assets** | $ 59,131,589 | $ 61,713,565 |
| **Liabilities and Net Assets** | | |
| Accounts payable and accrued expenses | $ 2,515,791 | $ 2,328,528 |
| Loans payable | - | 6,025,040 |
| Other liabilities | 514,444 | 406,533 |
| **Total Liabilities** | 3,030,235 | 8,760,101 |
| **Net Assets** | | |
| Without donor restrictions | 6,020,082 | 4,586,958 |
| Without donor restrictions - Designated | 38,235,125 | 37,652,979 |
| With donor restrictions | 11,846,147 | 10,713,527 |
| **Total Net Assets** | 56,101,354 | 52,953,464 |
| **Total Liabilities and Net Assets** | $ 59,131,589 | $ 61,713,565 |

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, 2026 and 2025**

| | 2026 | 2025 |
|---|---|---|
| **Changes in Net Assets Without Donor Restrictions** | | |
| **Operating Support and Revenues** | | |
| Assessments | $ 9,616,179 | $ 7,674,272 |
| Service fees/materials supplied | 4,116,822 | 4,075,033 |
| Contributions-Bishops Annual Appeal | 3,916,285 | 3,705,968 |
| Contributions-Other | 594,885 | 1,820,605 |
| Gain (loss) on disposal of assets | - | (908) |
| Investment income (loss) | 878,768 | 1,026,176 |
| Program grants | 249,525 | 1,047 |
| **Total Operating Support and Revenues Without Donor Restrictions** | 19,372,464 | 18,302,193 |
| **Net Assets Released From Restrictions** | | |
| Satisfaction of donor restrictions | 2,400,115 | 14,922,030 |
| Expiration of time restrictions | 7,139 | 268,116 |
| **Total Net Assets Released From Restrictions** | 2,407,254 | 15,190,146 |
| **Total Support and Revenues Without Donor Restrictions** | 21,779,718 | 33,492,339 |
| **Expenses** | | |
| **Program Services** | | |
| Pastoral, social and educational services | 3,292,065 | 2,709,683 |
| Vocations | 2,694,592 | 6,983,356 |
| Program facilities and depreciation | 2,217,702 | 1,918,380 |
| Clergy benefits | 2,225,857 | 2,087,176 |
| Parish, School and institutional assistance | 1,894,385 | 2,087,644 |
| Ministries (youth, elderly, campus and ethnic) | 1,716,422 | 1,686,571 |
| Communications | 1,356,164 | 1,308,033 |
| Cemeteries | 492,656 | 459,353 |
| Family assistance and payments to beneficiaries | 442 | 15,269 |
| **Total Program Services** | 15,890,285 | 19,255,465 |
| **Management and General** | | |
| Governance | 2,690,465 | 2,831,582 |
| Insurance and worker's compensation | 174,784 | 469,320 |
| **Total Management and General** | 2,865,249 | 3,300,902 |
| **Fundraising** | 1,008,914 | 944,894 |
| **Total Expenses** | 19,764,448 | 23,501,261 |
| **Changes in Net Assets With Donor Restrictions** | | |
| Contributions | 1,924,030 | 1,339,047 |
| Change in value of interest in assets held by others | 881,564 | 443,674 |
| Investment income | 197,597 | 571,687 |
| Service fees/materials supplied | 325,000 | 288,889 |
| Program grants | 211,683 | 139,642 |
| **Net Assets Released From Restrictions** | (2,407,254) | (15,190,146) |
| Increase (decrease) in net assets with donor restrictions | 1,132,620 | (12,407,207) |
| **Change in Net Assets** | 3,147,890 | (2,416,129) |
| **Net Assets - Beginning of Year** | 52,953,464 | 55,369,593 |
| **Net Assets - End of Year** | $ 56,101,354 | $ 52,953,464 |

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, 2026 and 2025**

| | 2026 | 2025 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in net assets | $ 3,147,890 | $ (2,416,129) |
| **Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities** | | |
| Depreciation | 1,082,959 | 964,609 |
| Net realized and unrealized (gain) loss on marketable securities | (561,684) | (1,025,066) |
| Unrealized (gain) loss, reclassifications, and adjustments of interest in assets held by others | (1,225,876) | 3,994,721 |
| (Gain) loss on disposal of assets | - | 907 |
| Changes in assets and liabilities | | |
| (Increase) decrease in accounts receivable | (143,370) | 158,556 |
| (Increase) decrease in other assets | (378,373) | 13,921 |
| Increase (decrease) in accounts payable and accrued expenses | 187,263 | (369,688) |
| Increase (decrease) in other liabilities | 107,911 | (33,489) |
| **Net Cash Provided by Operating Activities** | 2,216,720 | 1,288,342 |
| **Cash Flows from Investing Activities** | | |
| Proceeds (purchases) from sale of investments, net | 5,841,740 | (217,597) |
| Purchase of land, buildings, and equipment | (544,514) | (664,835) |
| **Net Cash Provided by (Used for) Investing Activities** | 5,297,226 | (882,432) |
| **Cash Flows from Financing Activities** | | |
| Repayments on loans payable | (6,025,040) | (328,599) |
| **Net Cash Used for Financing Activities** | (6,025,040) | (328,599) |
| **Net Change in Cash** | 1,488,906 | 77,311 |
| **Cash - Beginning of Year** | 5,040,897 | 4,963,586 |
| **Cash - End of Year** | $ 6,529,803 | $ 5,040,897 |
| **Supplemental Disclosures of Cash Flow Information** | | |
| Cash paid for interest | $ 48,180 | $ 142,047 |

**Non-Cash Transactions**

During the year ended June 30, 2025, the Diocese wrote off assets with cost totaling approximately $259,000 and accumulated depreciation totaling approximately $258,000.

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, 2026 and 2025**

**2026**

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Salaries and benefits | $ 6,748,533 | $ 1,777,400 | $ 520,650 | $ 9,046,583 |
| Professional services | 2,192,955 | 570,650 | 293,375 | 3,056,980 |
| Travel, food and conferences | 1,337,003 | 113,427 | 48,159 | 1,498,589 |
| Subsidies and other distributions | 1,432,040 | 13,459 | - | 1,445,499 |
| Tuition, room and board | 1,228,675 | - | 120 | 1,228,795 |
| Depreciation | 890,973 | 145,978 | 46,008 | 1,082,959 |
| Maintenance and repairs | 616,856 | 93,531 | 15,190 | 725,577 |
| Supplies and other | 412,122 | 56,083 | 37,528 | 505,733 |
| Utilities | 362,435 | 19,869 | 533 | 382,837 |
| Postage and printing | 324,893 | 21,640 | 31,021 | 377,554 |
| Insurance | 304,988 | 45,848 | 14,323 | 365,159 |
| Interest | 38,812 | 7,364 | 2,007 | 48,183 |
| **Total Functional Expenses** | $ 15,890,285 | $ 2,865,249 | $ 1,008,914 | $ 19,764,448 |

**2025**

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Salaries and benefits | $ 5,990,952 | $ 1,782,995 | $ 492,609 | $ 8,266,556 |
| Subsidies and other distributions | 6,244,425 | 11,890 | - | 6,256,315 |
| Professional services | 1,790,359 | 686,479 | 262,441 | 2,739,279 |
| Tuition, room and board | 1,365,127 | 681 | 170 | 1,365,978 |
| Travel, food and conferences | 1,066,117 | 183,123 | 12,705 | 1,261,945 |
| Depreciation | 808,616 | 125,648 | 30,345 | 964,609 |
| Supplies and other | 476,073 | 213,010 | 47,524 | 736,607 |
| Maintenance and repairs | 532,152 | 57,870 | 9,670 | 599,692 |
| Postage and printing | 348,697 | 15,227 | 70,233 | 434,157 |
| Utilities | 338,741 | 51,363 | 9,562 | 399,666 |
| Insurance | 287,070 | 38,785 | 9,367 | 335,222 |
| Interest | 7,136 | 133,831 | 268 | 141,235 |
| **Total Functional Expenses** | $ 19,255,465 | $ 3,300,902 | $ 944,894 | $ 23,501,261 |

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

## 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 accompanying 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 the accompanying financial statement presentation, the Diocese reports its financial information according to two classes of net assets (net assets with and without donor 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, net assets with donor restrictions, 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 in the Statements of Functional Expenses.

**Program Services -** include 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 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, 2026 and 2025 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, 2026 and 2025, $1,037,562 and $998,814, respectively, are recorded as unrestricted designated - self-insured medical coverage.

***Investments***

Marketable securities are carried at estimated fair value as of June 30, 2026 and 2025. 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. Investment securities, in general, are exposed to a variety of risks, such as interest rate, credit, business performance, world events and overall market volatility. The Diocese uses net asset value (NAV), or its equivalent, for member units as a practical expedient to estimate the fair value of investment funds which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy. 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, 2026 and 2025, approximately $359,000 and $65,000, 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, 2026 and 2025, there were no conditional or unconditional promises to give.

***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.

***Interest in Assets Held by Others***

***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 is an asset in the accompanying Statements of Financial Position, although the Diocese has no access or 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.

***Assets Held by Others***

The Diocese is the beneficiary of certain funds under agency agreements held by the Catholic Legacy Foundation (CLF). Changes in the estimated fair value of the trust accounts are recognized as a gain or loss in the period such changes occur but any disbursements received from the trusts are not recorded as revenue, as they are transfers.

***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. 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, 2026 and 2025.

***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 include any lease payments made prior to commencement and are 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, 2026 or 2025. 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.

***Revision***

Certain of the June 30, 2025 balances included in the table under the Note 7 – Fair Value Measurements disclosure have been revised to correct the classification of certain investment assets to reflect the nature of the observable inputs used in determining fair value in accordance with ASC 820-10, *Fair Value Measurements*. The impact of the revision was to reclassify $557,242 of fixed income funds from level 1 to NAV. The revision is not material to the financial statement disclosures, and the revision did not impact the Diocese's Statements of Financial Position or Statements of Activities and Changes in Net Assets.

***Reclassifications***
Certain items in the 2025 financial statements have been reclassified to conform to the 2026 presentation.

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

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 - Change in Accounting Estimate**

Effective July 1, 2025, the Diocese changed its estimate on salvage value on buildings from 10% to none. This change, treated as an accounting estimate revision under ASC 250, *Accounting Changes and Error Corrections*, was applied prospectively. As a result, current year depreciation expense increased by about $46,000, and future annual depreciation will be increased by a similar amount for approximately 38 years.

**Note 4 - Liquidity and Availability**

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

| | 2026 | 2025 |
|---|---|---|
| Cash | $ 6,529,803 | $ 5,040,897 |
| Investments | 2,709,883 | 14,188,577 |
| Accounts and other receivables | 1,585,807 | 1,442,437 |
| Total financial assets | 10,825,493 | 20,671,911 |
| Less - Financial assets with donor restrictions | (3,045,059) | (7,065,944) |
| Less - Financial assets without donor restrictions - Board designated | (5,232,142) | (2,732,465) |
| Financial assets available to meet general expenditures over the next twelve months | $ 2,548,292 | $ 10,873,502 |

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 unexpected need.

## Note 5 - Funds on Deposit with Catholic Community Investment and Loan, Inc. (CCIL)

As of June 30, 2026 and 2025, the Diocese has funds on deposit with CCIL in the amounts of $7,366,575 and $4,808,497, respectively. 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. 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 6 - Investments

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that historically was a major custodian of the Diocese's investments in marketable securities during the years ended June 30, 2026 and 2025 was covered by the Securities Investor Protection Corporation (SIPC), which provided 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 protected 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. These accounts were closed during the year ended June 30, 2026.

A summary of investments as of June 30, 2026 and 2025 is as follows:

| | 2026 | | 2025 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Cash and money market | $ - | $ - | $ 971,002 | $ 971,002 |
| Fixed income funds | - | - | 6,320,157 | 6,267,978 |
| Equity and mutual funds | | | | |
| US funds | - | - | 1,824,252 | 5,434,731 |
| Non - US market funds | - | - | 715,161 | 957,624 |
| Total equity and mutual funds | - | - | 2,539,413 | 6,392,355 |
| Total marketable securities | - | - | 9,830,572 | 13,631,335 |
| Mission Diocese Funds, LLC | 2,379,980 | 2,709,883 | 389,210 | 557,242 |
| Interest in assets held by others | 9,631,639 | 12,451,183 | 3,203,323 | 5,026,669 |
| Total investments | $ 12,011,619 | $ 15,161,066 | $ 13,423,105 | $ 19,215,246 |

The following schedule summarizes the investment income in the Statements of Activities and Changes in Net Assets for the years ended June 30, 2026 and 2025:

| | 2026 | 2025 |
|---|---|---|
| Interest and dividends | $ 82,045 | $ 572,797 |
| Unrealized and realized gain (loss) on investments, net | 994,320 | 1,025,066 |
| | $ 1,076,365 | $ 1,597,863 |

A summary of interest in assets held by others as of June 30, 2026 and 2025 is as follows:

| | 2026 | 2025 |
|---|---|---|
| **Residual interest in trusts:** | | |
| Seminarian education and vocations | $ 3,915,755 | $ 3,491,808 |
| Tuition assistance | 165,900 | 155,775 |
| Sub-total | 4,081,655 | 3,647,583 |
| **Assets held by others:** | | |
| Seminarian education and vocations | 2,227,387 | - |
| Parish Assistance | 2,492,046 | - |
| Calvary Cemetery | 2,437,958 | 1,379,086 |
| Priest Individual Needs | 1,212,137 | - |
| | 8,369,528 | 1,379,086 |
| Total interest in assets held by others | $ 12,451,183 | $ 5,026,669 |

**Note 7 - 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 (see Note 6 above) are measured at fair value on a recurring basis under FASB ASC 820, *Fair Value Measurements and Disclosures*. The fair value of residual interest in trusts and the assets held by others are 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 in the Mission Diocese Fund, LLC, the residual trusts, and assets held by others have been determined based on the NAV of the underlying investments as a practical expedient and have not been classified in a level within the fair value hierarchy.

The following schedule sets forth by level within the fair value hierarchy, the Diocese's fair value measurements at June 30, 2026 and 2025:

| | 2026 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets in the Fair Value Hierarchy | | | | |
| Cash and money market | $ - | $ - | $ - | $ - |
| Fixed income funds | - | - | - | - |
| Equity and mutual funds | | | | |
| US funds | - | - | - | - |
| Non - US market funds | - | - | - | - |
| Total assets in the fair value hierarchy | $ - | $ - | $ - | - |
| Assets measured at NAV as a practical expedient | | | | |
| Investments in Mission Diocese Fund, LLC | | | | 2,709,883 |
| Interest in assets held by others | | | | 12,451,183 |
| Total assets at fair value | | | | $ 15,161,066 |

| | 2025 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets in the Fair Value Hierarchy | | | | |
| Cash and money market | $ 971,002 | $ - | $ - | $ 971,002 |
| Fixed income funds | 6,267,978 | - | - | 6,267,978 |
| Equity and mutual funds | | | | |
| US funds | 5,434,731 | - | - | 5,434,731 |
| Non - US market funds | 957,624 | - | - | 957,624 |
| Total assets in the fair value hierarchy | $ 13,631,335 | $ - | $ - | 13,631,335 |
| Assets measured at NAV as a practical expedient | | | | |
| Investments in Mission Diocese Fund, LLC | | | | 557,242 |
| Interest in assets held by others | | | | 5,026,669 |
| Total assets at fair value | | | | $ 19,215,246 |

**Note 8 - Contract Balances**

The Diocese's revenue from contracts with customers is included in assessments and service fees/materials supplied as presented in the Statements of Activities and Changes in Net Assets. There were no impairment losses on receivables or contract assets from contracts with customers during the years ended June 30, 2026, 2025, and 2024. There is no deferred revenue associated with contracts from customers and therefore there are no contract liabilities at June 30, 2026, 2025, and 2024.

Contract receivables, which are included in accounts and other receivables in the Statements of Financial Position at June 30, 2026, 2025, and 2024, are as follows:

| | 2026 | 2025 | 2024 |
|---|---|---|---|
| Accounts receivable, net | $ 1,445,215 | $ 1,374,194 | $ 1,286,724 |

**Note 9 - 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 had an interest rate of 2.11%. The monthly principal and interest payments were $38,443 with an approximately $5,900,000 balloon payment due on October 30, 2025 which was paid off on October 27, 2025.

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 up until the loan was paid in full.

**Note 10 - Land, Buildings, and Equipment**

A summary of land, buildings, and equipment as of June 30, 2026 and 2025 is as follows:

| | 2026 | 2025 |
|---|---|---|
| Land | $ 7,444,119 | $ 7,444,119 |
| Buildings | 22,421,432 | 21,935,567 |
| Machinery and equipment | 418,144 | 359,495 |
| Automobiles | 109,208 | 109,208 |
| Furniture and fixtures | 36,360 | 36,360 |
| Rental property - Land | 2,556,557 | 2,556,557 |
| Rental property - Buildings | 9,147,000 | 9,147,000 |
| | 42,132,820 | 41,588,306 |
| Less - Accumulated depreciation and amortization | (6,759,474) | (5,709,704) |
| | $ 35,373,346 | $ 35,878,602 |

Included in buildings is approximately $218,674 and $162,300 of construction in progress for multiple projects at June 30, 2026 and 2025, respectively. Depreciation expense for buildings and equipment totaled $1,050,314 and $929,788 at June 30, 2026 and 2025, respectively.

## Note 11 - 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 2026 and 2025. Total contributions by the Diocese during 2026 and 2025 were $236,959 and $225,427, 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 $355,606 and $259,383 were made by the PBF into the Priest Plan in 2026 and 2025, 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:

| | December 31, 2025 Lay | December 31, 2024 Lay | June 30, 2026 Priest | June 30, 2025 Priest |
|---|---|---|---|---|
| Pension benefits | | | | |
| Benefit obligation at end of plan year | $ (73,597,032) | $ (69,135,662) | $ (14,075,096) | $ (13,627,402) |
| Plan assets at fair value at end of plan year | 94,027,597 | 82,418,152 | 18,864,508 | 16,908,049 |
| Funded (unfunded) | $ 20,430,565 | $ 13,282,490 | $ 4,789,412 | $ 3,280,647 |

The market value of the Lay Plan assets as of June 30, 2026 and 2025 was $100,349,093 and $86,637,669, 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 $227,562 and $234,480 in 2026 and 2025, 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 $5,528,319 and $4,612,399 as of June 30, 2026 and 2025, respectively.

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, 2026 and 2025, the value of cash and investments in the Priest Individual Needs Trust was $1,212,137 and $1,085,170, respectively (Note 6). During the year ended June 30, 2026, this fund was transferred from a Diocese investment account to CLF.

***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, 2026 and 2025 is $89,024 and $85,398, respectively.

## Note 12 - Net Assets

Net assets without donor restrictions designated by the Diocese are designated for the following purpose or periods:

| | 2026 | 2025 |
|---|---|---|
| Physical plant | $ 33,002,983 | $ 33,541,427 |
| Church ministry | 405,099 | 177,042 |
| Cemetery perpetual care | 2,437,958 | 2,196,053 |
| Priest benefits | 1,351,523 | 739,643 |
| Self-insured medical coverage | 1,037,562 | 998,814 |
| | $ 38,235,125 | $ 37,652,979 |

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

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

| | 2026 | 2025 |
|---|---|---|
| Parish assistance | $ 4,861,272 | $ 4,546,550 |
| Seminarian education and vocations | 6,803,656 | 5,996,544 |
| Tuition assistance | 165,900 | 155,775 |
| Programs | 15,319 | 14,658 |
| | $ 11,846,147 | $ 10,713,527 |

Net assets were released from donor restrictions by incurring expenses or capital projects satisfying the purpose or time restrictions specified by donors at June 30, 2026 and 2025 as follows:

| | 2026 | 2025 |
|---|---|---|
| Seminarian education and vocations | $ 2,127,913 | $ 5,658,789 |
| Parish assistance | 272,202 | 400,002 |
| Unity Hall project | - | 8,863,239 |
| Tuition assistance | 7,139 | 268,116 |
| | $ 2,407,254 | $ 15,190,146 |

**Note 13 - Transfers to Catholic Legacy Foundation (CLF)**

During fiscal year 2025, the Diocese transferred control of funds with an aggregate fair value of $4,438,395 to the CLF, formerly known as the Catholic Foundation – Diocese of Nashville, a separately incorporated supporting organization of the Diocese. The transfer was made under a Permanent Endowed Fund Agreement that was executed in the fiscal year 2025.

Under the terms of this agreement:

- The transferred funds become the sole property of CLF.
- The agreement is irrevocable and grants the CLF's Board of Trustees ultimate authority and variance power, including discretion to modify or redirect the use of funds consistent with donor intent if the specified beneficiary ceases to exist or if restrictions become impracticable.
- Accordingly, under FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, the Diocese is deemed to have relinquished control of the funds at the date of transfer.

As a result, the Diocese recognized contribution expense of $4,438,395 in the Statement of Activities within vocations expenses and the funds will no longer be reflected on the Diocese as a residual interest in trust. CLF recognized the transfer as contribution revenue with donor restrictions in its own financial statements.

The Diocese does not retain an asset or beneficial interest related to these funds because the agreements grant variance power to CLF.

## Note 14 - Endowments

The Diocese's endowment is made up of two types of funds: (1) perpetual trusts that name the Diocese as beneficiary and are held and administered by independent third-party trustees, and (2) funds held by the Catholic Legacy Foundation (CLF) for the Diocese.

*Residual interests in trusts held by third-party trustees* - The trustees, not the Diocese, hold and control the trust assets. The trustees invest those assets and decide distributions under the terms of each trust agreement. The Diocese has no say in either decision and cannot ask for the trust assets themselves. For this reason, the Diocese's investment and spending policies described below do not apply to these trusts. The Diocese reports its interest at the fair value of its share of the trust assets (see Note 7), classified as net assets with donor restrictions that are perpetual in nature. Changes in fair value are reported as change in value of interest in assets held by others in net assets with donor restrictions. Distributions received are recognized as revenue restricted for seminarian education and vocations or tuition assistance, as each trust specifies. The Diocese received no distributions from the trusts during the years ended June 30, 2026 and 2025.

*Endowment funds controlled by the Diocese* - The State of Tennessee has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under UPMIFA, and unless a donor states otherwise, the Diocese intends to preserve the fair value of the original gift of a donor-restricted endowment fund, measured as of the gift date. Accordingly, the Diocese classifies the following as net assets with donor restrictions that are perpetual in nature:

- the original value of gifts to the permanent endowment;
- the original value of later gifts to the permanent endowment; and
- additions to the permanent endowment made as the donor's gift document directs, valued when they are added.

The rest of a donor-restricted endowment fund is classified as net assets with donor restrictions until the Diocese appropriates it for spending, using the standard of prudence UPMIFA requires. In accordance with UPMIFA, the Diocese considers the following factors in deciding whether 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

*Board-designated endowment* -The Seminarian Education and Vocations funds held by CLF are restricted by donors for that purpose. The Diocese has designated them to function as endowment. The Diocese may remove the endowment designation at any time, but the donors' purpose restriction stays in effect. Because the designation is the Diocese's own decision, these funds are not subject to UPMIFA's requirement to preserve the original gift. During the year ended June 30, 2026, the Diocese transferred $2,014,969 of Seminarian Education and Vocations funds it already held to CLF under an agency agreement, and designated those funds to function as endowment. Unlike the 2025 transfer described in Note 13, the Diocese keeps control of these funds and reports them as interest in assets held by others. The transfer did not change the funds' net asset classification.

*Investment and spending policies* - The investment and spending policies for the endowment funds the Diocese controls are set and approved by the CLF Board of Trustees, under CLF's Investment Policy Statement adopted July 30, 2025. The goal is a predictable stream of funding for the programs these funds support, while keeping the funds' purchasing power over time. The funds are invested in CLF's Endowment Strategy. This is a diversified portfolio with targets of about 67% equities, 13% fixed income, 18% alternative investments and 2% cash. It is managed by an outside investment manager under ranges set by the policy, and in line with the United States Conference of Catholic Bishops' Socially Responsible Investment Guidelines. The strategy's goal is a total return, measured over trailing ten-year periods, that beats inflation (the Consumer Price Index) by 5.0 percentage points a year on average. CLF uses a total return approach, so investment returns include interest and dividends plus realized and unrealized gains, net of investment management fees. Under CLF's distribution schedule, 3% to 5% of an endowed fund's value may be distributed each year, with a target rate of 4.5%. Over the long term, this rate is expected to let the funds grow at least as fast as inflation, consistent with the objective of preserving purchasing power. No amounts were appropriated for spending from the endowment during the year ended June 30, 2026.

*Underwater endowment funds* - At June 30, 2026 and 2025, the Diocese held no donor-restricted endowment funds whose fair value was below the original gift amount or the level donors or law require to be maintained.

The makeup of the endowment by net asset class at June 30, 2026 and 2025 is as follows:

| | 2026 | | |
|---|---|---|---|
| | **Without donor restrictions** | **With donor restrictions** | **Total** |
| **Held by third party trustees (perpetual in nature)** | | | |
| Seminarian education and vocations | $ - | $ 3,915,755 | $ 3,915,755 |
| Tuition assistance | - | 165,900 | 165,900 |
| **Board-designated endowment** | | | |
| Seminarian education and vocations | - | 2,227,387 | 2,227,387 |
| **Total endowment** | $ - | $ 6,309,042 | $ 6,309,042 |

| | 2025 | | |
|---|---|---|---|
| | Without donor restrictions | With donor restrictions | Total |
| **Held by third party trustees (perpetual in nature)** | | | |
| Seminarian education and vocations | $ - | $ 3,491,808 | $ 3,491,808 |
| Tuition assistance | - | 155,775 | 155,775 |
| **Total endowment** | $ - | $ 3,647,583 | $ 3,647,583 |

Changes in the endowment for the year ended June 30, 2026 are as follows:

| | Held by third-party trustees | Board designated endowment | Total |
|---|---|---|---|
| **Endowment at June 30, 2025** | $ 3,647,583 | $ - | $ 3,647,583 |
| Transfer of Diocese funds designated as endowment | - | 2,014,969 | 2,014,969 |
| Investment return, net | | 212,418 | 212,418 |
| Change in value of residual interest in trusts | 434,072 | - | 434,072 |
| **Endowment at June 30, 2026** | $ 4,081,655 | $ 2,227,387 | $ 6,309,042 |

**Note 15 - Subsidies and Other Distributions**

Details of subsidies and other distributions provided to various individuals and entities for the years ended June 30, 2026 and 2025 are as follows:

| | 2026 | 2025 |
|---|---|---|
| Grants to | | |
| Schools | $ 7,079 | $ 268,056 |
| Diocesan institutions | 1,180,287 | 1,170,999 |
| Parishes | 244,230 | 344,142 |
| Family and individual assistance | - | 22,389 |
| Catholic institutions | 13,459 | 11,890 |
| Trust beneficiaries | 444 | 444 |
| Contribution to CLF | - | 4,438,395 |
| | $ 1,445,499 | $ 6,256,315 |

During the year ended June 30, 2025, the Diocese's contribution to the CLF was a reduction in net assets previously listed as restricted net assets (See Note 13).

## Note 16 - 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 current lease covers the period from April 1, 2020 to June 30, 2025. Catholic Charities has the right to renew the lease for up to successive additional five-year terms. Catholic Charities renewed their lease through June 30, 2030; however, due to a significant reduction in staff, there is a reduction in leased space and therefore lease income for the next five years, which is included in the rental income schedule below. Annual income of $267,778 and $420,000 is recorded as service fees/materials supplied fee income in the Statements of Activities and Changes in Net Assets as of June 30, 2026 and 2025, 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 2026 and 2025, 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.

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 October 31, 2029. In addition to the fixed rate of $25,000 a month, the lease agreement includes supplementary percentage rent equal to 80% of all gross parking revenues that exceed $400,000 annually. 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 net assets with donor restrictions and the financial statements accordingly.

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 and therefore the fee no longer needs to be eliminated. The Diocese and Sagrado Corazon entered into a usage agreement dated February 11, 2025 for a five-year term which has been included in the rental schedule below. Annual income of $442,350 and $386,500 is recorded as service fees/materials supplied fee income in the Statements of Activities and Changes in Net Assets as of June 30, 2026 and 2025, respectively.

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, 2026 and 2025.

The following is a schedule by years of future minimum rental income under the leases at June 30, 2026:

| | |
|---|---|
| 2027 | $ 997,964 |
| 2028 | 1,016,025 |
| 2029 | 1,046,773 |
| 2030 | 643,960 |
| | $ 3,704,722 |

As of June 30, 2026 and 2025, accumulated depreciation for rental property-buildings (See Note 10) was approximately $1,929,000 and $1,768,000, respectively.

***Lease Expense***

In June 2024, the Diocese capitalized the present value of office equipment leases in the amount of $171,204 with accumulated depreciation of $68,010 and $34,821 and depreciation expenses of $32,645 and $34,821 at June 30, 2026 and 2025, respectively. Minimum future lease payments at June 30, 2026 are as follows:

| | |
|---|---|
| 2027 | $ 39,240 |
| 2028 | 39,240 |
| 2029 | 35,970 |
| Future minimum payments | 114,450 |
| Less imputed interest | (8,931) |
| | $ 105,519 |

Cash payments under the financing lease for 2026 and 2025 were $39,240. The following table presents the weighted average remaining lease term and discount related to the financing lease:

| | |
|---|---|
| Weighted-average remaining lease term | 2.9 years |
| Weighted-average discount rate | 5.50% |

The ROU financing liability of $105,519 and $137,980 at June 30, 2026 and 2025, respectively, is included in other liabilities in the Statements of Financial Position.

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

**Note 17 - 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 fees for performance of these services were $622,000 and $456,000 for 2026 and 2025, respectively.

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 2026 and 2025.

The Diocese also provides management and accounting services to CLF, Advancement for Catholic Education (ACE), Hand in Hand Options (HIHO), Catholic Radio (WBOU) and the Priest Benefit Foundation.

**Note 18 - Employee Retention Credit**

The Employee Retention Credit (ERC) is a refundable credit against certain employment taxes under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and subsequent legislation. For 2020, the credit generally equaled 50% of up to $10,000 of qualified wages per employee for the year. For the first three quarters of 2021, the credit generally equaled 70% of up to $10,000 of qualified wages per employee per quarter.

The Diocese is treating the ERC as a nonexchange transaction that is accounted for as a conditional contribution. Once the conditions are substantially met, the contribution is recognized into income within the period. In December 2023, the Diocese filed for the ERC

amounts related to 2021 and 2020. As a result, the Diocese received the ERC in the full amount of $833,001 during 2025 and has included it in contributions in the Statements of Activities and Changes in Net Assets for 2025. The Diocese also received interest related to ERC in the amount of $229,255 and has included it in interest income in the Statements of Activities and Changes in Net Assets for 2025.

## Note 19 - 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 20 - Commitments and Contingencies

***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 Academy, located in Nolensville, Tennessee, 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, 2026 and 2025 is approximately $31,790,000 and $34,290,000, respectively.

The Diocese has entered into an agreement with Pinnacle Bank for a $3,000,000 unsecured line of credit that matures January 15, 2027. 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, 2026 and 2025.

## Note 21 - Subsequent Events

The Diocese has evaluated subsequent events through October 7, 2026, the date the financial statements were available for issuance, and has determined that there are no additional subsequent events that require disclosure.