

**DIOCESE OF KNOXVILLE  
CHANCERY OFFICE**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2025 and 2024**

**and**

**INDEPENDENT AUDITOR'S REPORT**

**DIOCESE OF KNOXVILLE  
CHANCERY OFFICE**

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2025 and 2024**

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## INDEPENDENT AUDITOR'S REPORT

Most Reverend Mark Beckman  
Diocese of Knoxville Chancery Office  
Knoxville, Tennessee

### **Opinion**

We have audited the accompanying financial statements of Diocese of Knoxville Chancery Office (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diocese of Knoxville Chancery Office as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Diocese of Knoxville Chancery Office and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Diocese of Knoxville Chancery Office's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **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 Diocese of Knoxville Chancery Office'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 Diocese of Knoxville Chancery Office's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Brown Jake & McDaniel, PC*

Knoxville, Tennessee  
December 5, 2025

**DIOCESE OF KNOXVILLE  
CHANCERY OFFICE**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2025 and 2024**

ASSETS

	2025	2024
Cash and cash equivalents	\$ 14,829,388	\$ 19,535,842
Accounts receivable	1,310,314	1,005,422
Interest receivable	12,112	23,892
Other assets	61,712	97,218
Unconditional promises to give	75,000	75,000
Investments	16,379,477	15,403,443
Treasury Bills	36,844,975	23,923,696
Loans receivable from parishes and others	13,181,547	13,657,819
Land, buildings and equipment, net	6,753,542	5,979,467
Total assets	\$ 89,448,067	\$ 79,701,799

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 131,766	\$ 35,512
Deferred restricted revenue	10,204	10,204
Note payable - bank	-	1,756,741
Medical claims reserve	7,141,454	8,261,556
Deposits payable to parishes and others	55,870,000	44,905,782
Funds held for others	350,260	221,793
Total liabilities	63,503,684	55,191,588
Net assets:		
Without donor restrictions	7,686,211	7,262,097
With donor restrictions	18,258,172	17,248,114
Total net assets	25,944,383	24,510,211
Total liabilities and net assets	\$ 89,448,067	\$ 79,701,799

The accompanying notes are an integral part of these financial statements.

**DIOCESE OF KNOXVILLE  
CHANCERY OFFICE**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED  
JUNE 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Bishop's appeal	\$ 929,224	\$ 2,243,078	\$ 3,172,302
Contributions and bequests	156,937	464,800	621,737
Capital campaign	-	1,549	1,549
Grants	100,000	612,943	712,943
Service fees and revenues	139,009	19,805	158,814
Interest income - deposit and loan	2,383,739	-	2,383,739
Investment income	78,943	354,566	433,509
Net gain/(loss) - investments	92,923	748,877	841,800
Unrealized gain/(loss) - investments (Note 2)	393,739	581,906	975,645
Assessments:			
Parishes (governance and services offices)	1,815,905	-	1,815,905
Priest health and retirement	-	1,470,035	1,470,035
Catholic schools office	139,005	-	139,005
Diocesan newspaper	702,380	-	702,380
Tribunal	355,980	-	355,980
Cathedral	412,808	-	412,808
Other income	689,942	402,672	1,092,614
Net assets released from restrictions:			
Satisfaction of program restrictions	5,890,173	(5,890,173)	-
Total revenues, gains and other support	<u>14,280,707</u>	<u>1,010,058</u>	<u>15,290,765</u>
Expenses:			
Program services:			
Pastoral	1,874,855	-	1,874,855
Religious personnel development and care	1,875,327	-	1,875,327
Property Donated to parish	338,162	-	338,162
Diaconate formation	124,095	-	124,095
Education	1,193,602	-	1,193,602
Cathedral	412,808	-	412,808
Catholic Charities	550,000	-	550,000
Communications	679,529	-	679,529
Promotion of vocations	433,851	-	433,851
Interest expense and bank service charges	2,922,600	-	2,922,600
General administration	2,844,023	-	2,844,023
Capital campaign expenses	195,778	-	195,778
Development and planning	411,963	-	411,963
Total expenses	<u>13,856,593</u>	<u>-</u>	<u>13,856,593</u>
Change in net assets	424,114	1,010,058	1,434,172
Net assets at beginning of year	<u>7,262,097</u>	<u>17,248,114</u>	<u>24,510,211</u>
Net assets at end of year	<u>\$ 7,686,211</u>	<u>\$ 18,258,172</u>	<u>\$ 25,944,383</u>

The accompanying notes are an integral part of these financial statements.

**DIOCESE OF KNOXVILLE  
CHANCERY OFFICE**

**STATEMENTS OF ACTIVITIES**

**FOR THE YEAR ENDED  
JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Bishop's appeal	\$ 955,066	\$ 2,079,282	\$ 3,034,348
Contributions and bequests	72,691	462,353	535,044
Capital campaign	-	2,103	2,103
Grants	100,000	567,329	667,329
Service fees and revenues	114,228	-	114,228
Interest income - deposit and loan	2,547,396	-	2,547,396
Investment income	58,621	319,417	378,038
Net gain/(loss) - investments	59,667	436,307	495,974
Unrealized gain/(loss) - investments (Note 2)	-	842,839	842,839
Net gain/(loss) on disposal of equipment	644,239	-	644,239
Assessments:			
Parishes (governance and services offices)	1,991,129	-	1,991,129
Priest health and retirement	-	1,419,064	1,419,064
Catholic schools office	135,256	-	135,256
Diocesan newspaper	659,982	-	659,982
Tribunal	322,646	-	322,646
Cathedral	398,758	-	398,758
Other income	647,454	554,388	1,201,842
Net assets released from restrictions:			
Satisfaction of program restrictions	5,376,969	(5,376,969)	-
	14,084,102	1,306,113	15,390,215
Expenses:			
Program services:			
Pastoral	1,740,868	-	1,740,868
Religious personnel development and care	2,091,138	-	2,091,138
Diaconate formation	126,406	-	126,406
Education	1,311,378	-	1,311,378
Cathedral	398,762	-	398,762
Catholic Charities	500,000	-	500,000
Communications	649,828	-	649,828
Promotion of vocations	758,409	-	758,409
Interest expense and bank service charges	2,861,774	-	2,861,774
General administration	2,548,857	-	2,548,857
Capital campaign expenses	192,977	-	192,977
Development and planning	402,489	-	402,489
	13,582,886	-	13,582,886
Change in net assets	501,216	1,306,113	1,807,329
Net assets at beginning of year	6,760,881	15,942,001	22,702,882
Net assets at end of year	\$ 7,262,097	\$ 17,248,114	\$ 24,510,211

The accompanying notes are an integral part of these financial statements.

**DIOCESE OF KNOXVILLE  
CHANCERY OFFICE**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED  
JUNE 30, 2025**

	Program Services	General Administrative	Interest Expense and Bank Charges	Fundraising, Development and Planning	Totals
Program grants provided	\$ 2,266,682	(7,846)	\$ -	\$ -	\$ 2,258,836
Salaries and wages	989,977	929,484	-	253,095	2,172,556
Priest and religious wages / stipends	287,754	42,118	-	-	329,872
Other employee benefits	341,155	244,430	-	74,581	660,166
Priest benefits	1,668,772	-	-	-	1,668,772
Payroll taxes	72,427	66,780	-	18,737	157,944
Travel	50,924	23,580	-	1,228	75,732
Public relations	53,028	231,159	-	1,692	285,879
Program supplies	13,478	8,582	-	-	22,060
Telephone	5,706	23,411	-	900	30,017
Occupancy	295,583	155,326	-	19,320	470,229
Stipends	38,990	(20)	-	-	38,970
Purchased professional services	84,415	124,463	-	18,592	227,470
Information technology	21,236	101,665	-	-	122,901
Printing and copying	134,582	38,959	-	-	173,541
Tuition, room and board	235,317	26	-	-	235,343
Postage and shipping	80,485	14,195	-	5	94,685
Property taxes and insurance	28,014	75,247	-	-	103,261
Maintenance and utilities	242,255	113,679	-	-	355,934
Office supplies	13,825	33,854	-	503	48,182
Accounting, legal and bank fees	168,245	314,499	151,009	19,320	653,073
Interest expense	-	-	2,771,591	-	2,771,591
Bishop's Appeal expense	-	-	-	195,773	195,773
Conferences given and attended	149,360	13,560	-	2,274	165,194
Miscellaneous expenses	240,019	18,129	-	1,721	259,869
Depreciation	-	278,743	-	-	278,743
Total expenses	<u>\$ 7,482,229</u>	<u>\$ 2,844,023</u>	<u>\$ 2,922,600</u>	<u>\$ 607,741</u>	<u>\$ 13,856,593</u>

The accompanying notes are an integral part of these financial statements.

**DIOCESE OF KNOXVILLE  
CHANCERY OFFICE**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED  
JUNE 30, 2024**

	Program Services	General Administrative	Interest Expense and Bank Charges	Fundraising, Development and Planning	Totals
Program grants provided	\$ 1,916,968	2,996	\$ -	\$ -	\$ 1,919,964
Salaries and wages	1,051,609	917,572	-	240,878	2,210,059
Priest and religious wages / stipends	326,764	49,821	-	-	376,585
Other employee benefits	391,913	223,505	-	79,769	695,187
Priest benefits	1,748,676	-	-	-	1,748,676
Payroll taxes	75,759	66,300	-	17,711	159,770
Travel	47,053	27,132	-	374	74,559
Public relations	31,418	94,637	-	210	126,265
Program supplies	20,974	13,925	-	22	34,921
Telephone	8,332	25,748	-	900	34,980
Occupancy	297,947	114,552	-	17,298	429,797
Stipends	49,105	23,142	-	-	72,247
Purchased professional services	83,381	148,114	-	20,965	252,460
Information technology	19,118	99,228	-	-	118,346
Printing and copying	115,960	17,661	-	-	133,621
Tuition, room and board	572,259	-	-	-	572,259
Postage and shipping	80,475	12,203	-	105	92,783
Property taxes and insurance	24,307	88,804	-	-	113,111
Maintenance and utilities	109,448	93,775	-	-	203,223
Office supplies	6,645	15,943	-	582	23,170
Accounting, legal and bank fees	188,742	202,048	166,436	19,034	576,260
Interest expense	-	-	2,695,338	-	2,695,338
Bishop's Appeal expense	-	-	-	192,872	192,872
Conferences given and attended	105,500	6,487	-	4,113	116,100
Miscellaneous expenses	304,436	12,649	-	633	317,718
Depreciation	-	292,615	-	-	292,615
<b>Total expenses</b>	<b>\$ 7,576,789</b>	<b>\$ 2,548,857</b>	<b>\$ 2,861,774</b>	<b>\$ 595,466</b>	<b>\$ 13,582,886</b>

The accompanying notes are an integral part of these financial statements.

**DIOCESE OF KNOXVILLE  
CHANCERY OFFICE**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED  
JUNE 30, 2025 and 2024**

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 1,434,172	\$ 1,807,329
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized (gain) loss on investments	(841,800)	(495,974)
Unrealized (gain) loss on investments	(975,645)	(842,839)
Net (gain) loss on disposal of equipment	-	(644,239)
Depreciation and amortization	278,743	292,615
(Increase) decrease in assets -		
Accounts receivable	(304,892)	(177,181)
Interest receivable	11,780	7,464
Other assets	35,506	25,192
Increase (decrease) in liabilities -		
Accounts payable	96,254	(306,108)
Medical claims reserve	(1,120,102)	(556,587)
Deferred revenues	-	(5,000)
Custodial accounts	128,467	(10,257)
Net cash provided (used) by operating activities	(1,257,517)	(905,585)
Cash flows from investing activities:		
Purchases of investments	(3,051,465)	(2,345,490)
Proceeds from sale of investments	3,892,877	2,925,647
Purchases of Treasury bills	(43,000,000)	(14,000,428)
Proceeds from sale of Treasury bills	30,078,721	11,702,066
Repayments from (loans to) parishes and institutions, net	476,272	6,739,029
Cash payments for the purchase of property	(1,052,818)	(66,497)
Proceeds from disposition of assets	-	1,398,701
Net cash provided (used) by investing activities	(12,656,413)	6,353,028
Cash flows from financing activities:		
Repayments of long-term loans	(1,756,742)	(3,009,395)
Deposits from parishes and institutions, net	10,964,218	4,848,800
Net cash provided (used) by financing activities	9,207,476	1,839,405
Net increase (decrease) in cash and cash equivalents	(4,706,454)	7,286,848
Cash and cash equivalents at beginning of year	19,535,842	12,248,994
Cash and cash equivalents at end of year	\$ 14,829,388	\$ 19,535,842
<hr/>		
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 2,771,591	\$ 2,695,338

The accompanying notes are an integral part of these financial statements.

**DIOCESE OF KNOXVILLE  
CHANCERY OFFICE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2025 and 2024**

1. Summary of Significant Accounting Policies

a. Basis of Presentation

The geographical area of the Diocese of Knoxville (unincorporated) comprises the 36 counties of East Tennessee. Legal title to all church property in the Diocese is held in the name of "N. N., Bishop of the Roman Catholic Diocese of Knoxville and Successors in Office". In addition to having jurisdiction over parishes and missions, the Diocese also operates a number of other institutions, including high schools, cemeteries, etc.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the standards adopted by the United States Conference of Catholic Bishops. Such financial statements include only the accounts maintained by and directly under the Governance and Services Offices of the Diocese of Knoxville (GSO). The accounts and properties of the parishes, missions, schools, cemeteries, and certain auxiliary enterprises, each of which maintains its own accounts, are not included. All significant interfund balances and transactions have been eliminated to the extent the respective funds are combined in one fund for purposes of this presentation.

To ensure observance of limitations and restrictions placed on the use of resources available to the Diocese, the accounts of the Diocese are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

The Diocese has designated, from net assets without donor restrictions, net assets for an operating reserve. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Diocese, the environment in which it operates, the purposes specified by governing documents and its tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Diocese's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due.

The Diocese's donor-restricted endowment funds, including the unspent appreciation of the endowment fund and the portion of the Diocese's donor-restricted endowment funds that the Diocese is committed to maintaining in perpetuity are classified in net assets with donor restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

**DIOCESE OF KNOXVILLE  
CHANCERY OFFICE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2025 and 2024**

1. Summary of Significant Accounting Policies (Continued)

b. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Diocese considers all highly liquid investments with maturities of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2025.

c. Allowance for Credit Losses

The Diocese typically does not record an allowance for credit losses and believes all loans and accounts receivable are collectible. The Diocese believes all receivables are appropriately valued and will be collected.

d. Investments and Fair Value Measurement

The Diocese follows the provisions of FASB ASC 820-10. This standard defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires enhanced disclosures about fair value measurements. The Diocese accounts for its investments at fair value. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e. the exit price).

FASB ASC 820-10 establishes a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data based on the best information available in the circumstances.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Inputs that utilize quoted prices in active markets for identical assets or liabilities as of the reporting date that the organization has the ability to access.

Level 2 – Inputs that include quoted priced for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument as of the reporting date. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, discounted cash flows, or other valuation methodologies.

Level 3 – Inputs that are unobservable for the asset or liability, which are typically based on assumptions on the part of the reporting entity, as there is little, if any, related market activity.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement.

Realized gains and losses are determined by comparison of asset average cost, or fair value at the date of donation or at the beginning of the year, to net proceeds received at the time of disposal. Unrealized gains and losses are determined by the difference between fair value at the beginning and end of the year. These amounts are reflected in the statement of activities.

**DIOCESE OF KNOXVILLE  
CHANCERY OFFICE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2025 and 2024**

1. Summary of Significant Accounting Policies (Continued)

e. Land, Buildings and Equipment

Land, buildings, and equipment are stated in the accompanying statement of financial position at cost or fair market value at the date of the gift if acquired by donation. Depreciation is computed using the straight-line method over the expected useful life of the asset.

f. Endowment Investment and Spending Policies

The Diocese follows the provisions of FASB ASC 958-205. This standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also improves disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA.

The State of Tennessee has adopted UPMIFA and the Diocese has determined that its net assets that are restricted by a donor that resources be maintained in perpetuity meet the definition of endowment under UPMIFA.

The Diocese has adopted investment and spending policies for endowment net assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment net assets. The Diocese's spending and investment policies work together to achieve this objective. To achieve the investment goal, the Diocese establishes investment objectives and strategies of equity, fixed income, and cash within prudent risk parameters. The Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The spending policy states the amount to be distributed annually from the Diocese's various endowed funds (invested in DIOKNOX). The Diocese has adopted a 5% annual spending level for distributions to be calculated based on the average of the fair value at the end of the three previous calendar years. This is consistent with the Diocese's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

g. Federal Income Taxes

The Diocese is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Diocese follows the provisions of FASB ASC 740-10-25. Under this standard, an organization must recognize that tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of this standard has had no impact on the Diocese's financial statements. The Diocese does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended June 30, 2025 and 2024, there were no interest or penalties recorded or included in its financial statements.

**DIOCESE OF KNOXVILLE  
CHANCERY OFFICE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2025 and 2024**

1. Summary of Significant Accounting Policies (Continued)

h. Functional Allocation of Expenses

The cost of providing the various programs and other activities of the Diocese has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Occupancy and fiscal services are allocated to each department based on 4.5% and 5.0% of budgeted expenses respectively.

i. Donated Services

No amounts have been reflected in the accompanying financial statements for donated services as no objective basis is available to measure the value of such services.

j. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Investments, Treasury Bills and Fair Value Measurement

The Diocesan long-term investments are comprised of four parts, all of which are invested with professional investment management companies as specified below: DIOKNOX, DUBUISSON TRUST, the CATHOLIC EDUCATION TRUST FUND (CETF), and the POPE FRANCIS CHARITABLE TRUST FUND (PFCTF). DIOKNOX consists of various funds currently in excess of Diocesan operating requirements. DUBUISSON TRUST is a restricted expendable trust for use by small and needy parishes. These two portfolios are managed by Goldman Sachs Private Wealth Management. The CETF consists of funds received through the Diocesan Capital Campaign which are designated to support catholic education and are managed by Wells Fargo Advisors. Wells Fargo Advisors also manages a donor- restricted fund relating to priest benefits. The PFCTF also consists of funds received through the Diocesan Capital Campaign which are designated to support grants for charitable work at parishes and is managed by Goldman Sachs Private Wealth Management.

The Diocese invested excess cash held during the year in short term Treasury Bills valued at \$36,844,975 and \$23,923,696 respectively at June 30, 2025 and June 30, 2024.

The recorded value of the long-term investments and related market value at June 30, 2025 are summarized as follows:

	<u>Cost Basis</u>	<u>Market Value</u>
Fixed income obligations	\$ 4,007,190	\$ 3,881,907
Common stock	7,316,790	10,972,552
Cash and cash equivalents	227,981	227,981
Mutual funds	<u>1,649,105</u>	<u>1,297,037</u>
Total investments	<u>\$ 13,201,066</u>	<u>\$ 16,379,477</u>

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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2025 and 2024**

2. Investments, Treasury Bills and Fair Value Measurement (Continued)

The recorded value of the long-term investments and related market value at June 30, 2024 are summarized as follows:

	<u>Cost Basis</u>	<u>Market Value</u>
Fixed income obligations	\$ 3,887,037	\$ 3,624,218
Common stock	7,182,189	10,301,222
Cash and cash equivalents	272,710	272,710
Mutual funds	<u>1,585,002</u>	<u>1,205,293</u>
Total investments	<u>\$ 12,926,938</u>	<u>\$ 15,403,443</u>

The Diocese uses fair value measurements to record fair value adjustments to its investments and to determine fair value disclosures. For additional information on how the Diocese measures fair value, refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the investments of the Diocese measured at fair value on a recurring basis as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Level 1:		
Long term investments	\$ 16,379,477	\$ 15,403,443
Short term investments	<u>36,844,975</u>	<u>23,923,696</u>
Total investments	<u>\$ 53,224,452</u>	<u>\$ 39,327,139</u>

3. Unconditional Promises to Give

Unconditional promises to give are scheduled to be collected as follows:

Due in the following years as of June 30:

More than five years	\$ <u>75,000</u>
Total	<u>\$ 75,000</u>

4. Loans Receivable from Parishes and Others

Loans receivable from parishes and others are unsecured and generally amortized over a fifteen-year period at a variable rate of interest. The variable rate was 6.50 % and 5.68% at June 30, 2025 and 2024, respectively.

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**June 30, 2025 and 2024**

5. Land, Buildings and Equipment

Land, buildings and equipment consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Land and buildings:		
Land – chancery	\$ 246,500	\$ 246,500
Building – chancery	2,416,961	2,416,961
Land – retreat center	626,000	626,000
Buildings – retreat center	4,011,388	4,011,388
Land – other	283,597	256,500
Buildings – other	<u>1,250,870</u>	<u>225,149</u>
Total land and buildings	8,835,316	7,782,498
Automobiles	180,352	180,352
Furnishings	91,733	91,733
Equipment	<u>1,235,685</u>	<u>1,235,685</u>
Total property and equipment	10,343,086	9,290,268
Less: accumulated depreciation	<u>(3,589,544)</u>	<u>(3,310,801)</u>
Total	<u>\$ 6,753,542</u>	<u>\$ 5,979,467</u>

Total depreciation expense for the years ended June 30, 2025 and 2024 was \$278,743 and \$292,615, respectively.

6. Notes Payable – Bank

The Diocese had a note payable to Regions Bank due in monthly installments of principal plus interest. The loan began on July 1, 2019 is at 30-day SOFR + 175 basis points with principal and interest beginning March 1, 2020 through December 1, 2024. The note payable amortizes on a 15-year basis and had a balloon payment which was paid off during the fiscal year. There are no outstanding notes payable at June 30, 2025.

7. Deferred Restricted Revenue

Deferred restricted revenue consists of advances from grantor agencies that were unexpended at June 30, 2025 and 2024. These advances are earned as program requirements are met. In the event such requirements are not met, these advances must be refunded to the grantor.

8. Deposits Payable to Parishes and Others

Deposits payable to parishes and others are non-collateralized and payable upon demand. Interest is paid based on a variable rate, which was 4.18% and 5.10% at June 30, 2025 and 2024, respectively.

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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2025 and 2024**

9. Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 are designated as follows:

	<u>2025</u>	<u>2024</u>
Current operating funds	\$ 5,232,503	\$ 4,395,059
Current designated funds	643,125	485,305
Plant Fund	<u>1,810,583</u>	<u>2,381,733</u>
 Total	 <u>\$ 7,686,211</u>	 <u>\$ 7,262,097</u>

10. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are available for the following purposes:

	<u>2025</u>	<u>2024</u>
Quasi endowment – growth	\$ 1,520,031	\$ 1,421,107
Missions and Religious personnel care	640,982	680,191
Restricted expendable trusts	1,993,004	1,989,573
Catholic education trust fund	6,915,753	6,586,874
Pope Francis charitable trust fund	3,371,596	3,219,276
Cemetery perpetual care	141,096	109,175
Seminary burses	131,373	97,145
Bishop’s appeal	2,124,776	1,971,011
GiFT/Home campaign funds	373,461	141,155
Unconditional promises to give	75,000	75,000
Endowment Funds:		
Cemetery perpetual care	452,050	438,557
Mass trusts	28,862	28,862
Seminary burses	<u>490,188</u>	<u>490,188</u>
 Total	 <u>\$ 18,258,172</u>	 <u>\$ 17,248,114</u>

11. Commitments

1. As of June 30, 2025, the GSO, through the Deposit and Loan Fund, had made loan commitments to various parishes totaling approximately \$1,220,694 and had approved projects with deposit calls for approximately \$10,672,072. It is anticipated that these deposits will be withdrawn within the next two years. As of June 30, 2024, the GSO, through the Deposit and Loan Fund, had made loan commitments to various parishes totaling approximately \$1,080,694 and approved projects with deposit calls for approximately \$5,808,856.
2. In June 1992, the Diocese purchased property on Cedar Bluff Road in west Knoxville for a new parish by borrowing DUBUISSON TRUST funds. The Catholic Foundation of East Tennessee will repay this loan at the rate of \$100,000 per year or as funds are available. As of June 30, 2025, the DUBUISSON TRUST balance owed was \$350,000. This is an interest free loan. As of June 30, 2024, the DUBUISSON TRUST balance owed was \$450,000.

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**June 30, 2025 and 2024**

11. Commitments (continued)

3. The Diocese has approximately 1.42 participation interest in Catholic Umbrella Pool II (the Pool), a separate and distinct fund within The Catholic Mutual Relief Society of America, Administrator for the Pool. This entirely separate and distinct fund is a self-insurance fund providing excess liability coverage for its membership, which consists of 55 small to medium-sized dioceses. Effective January 1, 2013, the Pool had a responsibility for 20% of individual casualty claims of its members that exceed \$500,000 to a limit of \$1,000,000, a 50% participation for casualty claims that exceed \$1,500,000 to a limit of \$3,500,000, a 20% participation for claims in excess of \$5,000,000 to a limit of \$5,000,000 and 5.0% responsibility for claims in excess of \$10,000,000 to a limit of \$10,500,000. The pool also had a 5% participation in claims-made sexual misconduct certificates in excess of \$1,500,000 to a limit of \$3,500,000 beginning July 1, 1990.

This coverage is placed through the Society and includes both Pool and non-Pool participants. Participating dioceses are liable (in proportion to their participation interest) for any losses beyond the Pool's responsibility to fund such losses. The Diocese has equity in the Pool of \$321,880 and \$199,527 for the years ending June 30, 2025 and 2024, respectively. Dividends receivable were \$21,948 and \$18,336 for the years ending June 30, 2025 and 2024, respectively. As of June 30, 2025 and 2024, the Pool has established \$1,605,000 and \$2,301,942, respectively, for specific claim reserves resulting from coverage assumed by the Pool.

12. Pension Plans

Lay Pension Plan

On January 1, 2006, the Diocese of Knoxville Lay Pension Plan was established. This Plan is a multi-employer defined benefit plan available to all full-time employees. The benefits are based on years of service and the employee's compensation during the period of employment. Contributions are noncontributory and are based on the actuarially determined rate, which is established annually by the administrator.

The following table sets forth the information related to the Diocese of Knoxville Lay Pension Plan as of the last actuarial valuation dates:

As of:	<u>January 1, 2025</u>	<u>January 1, 2024</u>
Plan assets at fair value	\$ 32,172,439	\$ 30,420,446
Benefit obligation	<u>(40,855,265)</u>	<u>(38,773,088)</u>
Funded status	<u>\$ (8,682,826)</u>	<u>\$ (8,352,642)</u>
Year ended:	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Total employer contributions	<u>\$ 1,742,866</u>	<u>\$ 1,569,676</u>
Diocese of Knoxville contributions	<u>\$ 119,805</u>	<u>\$ 123,024</u>
Benefits paid	<u>\$ 2,118,272</u>	<u>\$ 1,952,918</u>

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**June 30, 2025 and 2024**

12. Pension Plans (continued)

The weighted average discount rate and rate of increase in future compensation levels were 7.25% and 4.0%, respectively. The annualized long-term rate of return on the Diocese of Knoxville Lay Pension Plan assets for the five years ended December 31, 2024 was 5.9%. While the decline in market value as of the actuarial measurement date resulted in a decrease in funded status, the market value began to rebound during the fiscal year. Since the assets are invested in common stock and fixed income obligations the fluctuations in those markets will impact the funded status. For additional information about this Plan, please contact the Diocesan Lay Retirement Administrative Committee, Plan Administrator, Pension Plans.

Priest Retirement Plan

On July 1, 2005, the Diocese of Knoxville Priest Retirement Plan was established. This Plan is a multi-employer defined benefit plan available to all full-time priests. The benefits are based on years of service. Contributions are noncontributory and are based on the actuarially determined rate, which is established annually by the administrator.

The following table sets forth information related to the Diocese of Knoxville Priest Pension Plan as of the last actuarial valuation dates:

As of:	<u>July 1, 2024</u>	<u>July 1, 2023</u>
Plan assets at fair value	\$ 7,297,916	\$ 6,826,357
Benefit obligation	<u>(10,896,008)</u>	<u>(10,390,582)</u>
Funded status	\$ <u>(3,598,092)</u>	\$ <u>(3,564,225)</u>
Year ended:	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Total employer contributions	\$ <u>441,687</u>	\$ <u>253,012</u>
Benefits paid	\$ <u>500,996</u>	\$ <u>498,370</u>

The weighted average discount rate was 7.5%. The annualized long-term rate of return on the Diocese of Knoxville Priest Retirement Plan assets for the ten years ended June 30, 2024 was 6.2%. For additional information about this Plan, please contact the Diocese of Knoxville, Plan Administrator.

Retirement Savings Plan

Effective January 1, 2006, the Diocese of Knoxville sponsored a Retirement Savings Plan covering all of its full-time employees and their related parishes and institutions. The Plan provides for member employers to match up to the standard percentage of payroll contributed by employees, as determined by the Lay Retirement Committee. Employees may contribute additional amounts up to the Internal Revenue Service limitations. All participants' interests in the Retirement Savings Plan are vested automatically in the Plan. The GSO made contributions to the Plans of \$64,451 and \$69,136 for the years ended June 30, 2025 and 2024, respectively.

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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2025 and 2024**

13. Other Post-Retirement Employee Benefits (OPEB)

Accounting principles generally accepted in the United States of America require the actuarial determination of the potential liability associated with post-retirement benefits provided to employees. The associated current expense and future liability are required to be recorded by the organization. The only OPEB that exists for the Diocese relates to health care benefits, including long-term care, provided to the Diocesan priests. The actuarially determined liability was calculated using a weighted average discount rate of 5.65% based on USI Consulting Group's pension discount AA curve. The liability calculated for the fiscal year ended June 30, 2025 and June 30, 2024 was \$3,977,278 and \$3,941,539, respectively.

During the fiscal year ended June 30, 2023, long-term care policies were in place for qualified priests. The company providing the policies paid out the value of the remaining policies during the fiscal year ended June 30, 2024, and the trustees of the Priest Benefit Foundation voted to move those amounts as well as future accruals to its long-term care reserve account. The balance in the long-term care reserve was \$725,310 and \$642,997 at June 30, 2025 and June 30, 2024 respectively. All currently retired priests medical care was expensed and not accrued during both fiscal years and no amounts were drawn from the long-term care reserve.

14. Liquidity and Availability of Financial Assets

The following reflects the Diocese's financial assets as of June 30, 2025 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Cash and cash equivalents	\$ 14,829,388
Treasury Bills	36,844,975
Investments	16,379,477
Accounts receivable	1,310,314
Unconditional promises to give	75,000
Loans receivable from parishes and others	13,181,547
Interest receivable	<u>12,112</u>
 Total financial assets	 \$ 82,632,813
 Less those unavailable for general expenditures within one year due to contractual restrictions	  <u>(27,935,072)</u>
 Financial assets available to meet cash needs for general expenditures within one year	  <u>\$ 54,697,741</u>

As of June 30, 2025, \$27,935,072 of the financial assets are subject to other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Diocese maintains financial assets, which consist of cash and cash equivalents, investments, and loans to parishes to meet normal operating expenses within one year which on average are \$10,340,000. Most of the normal budgeted operating expenses are met by current year contributions, grants, and assessments received in the current fiscal year rather than from balance sheet assets.

15. Subsequent Events

Management has evaluated subsequent events through December 5, 2025, which is the date the financial statements were available to be issued.