

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Financial Statements
For the Years Ended December 31, 2025 and 2024

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Financial Statements

For the Years Ended December 31, 2025 and 2024

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Independent Auditor's Report

Board of Directors

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Opinion

We have audited the financial statements of The Convention of the Protestant Episcopal Church in the Diocese of Tennessee (the Diocese), which comprise the statements of financial position as of December 31, 2025 and 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Diocese as of December 31, 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 (GAAS). 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 the Diocese 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 the Diocese's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS, 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Blankenship CPA Group PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
June 8, 2026

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Statements of Financial Position

December 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 584,905	\$ 500,915
Accounts receivable	15,986	9,778
Prepaid expenses	30,729	42,021
Investments	15,998,292	14,335,990
Notes receivable	40,439	55,764
Property and equipment, net	<u>1,465,406</u>	<u>1,495,034</u>
Total assets	\$ 18,135,757	\$ 16,439,502
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 14,138	\$ 20,170
Accrued expenses	3,739	1,876
Deferred revenue	<u>15,604</u>	<u>22,008</u>
Total liabilities	33,481	44,054
Net assets		
Without donor restrictions		
Designated		
Dandridge Trust	3,750,558	3,406,563
Endowment	1,471,845	1,510,261
Lambeth/General Convention	14,000	14,000
Mid-Cumberland Mountain Ministries	<u>512,192</u>	<u>524,224</u>
Total designated	5,748,595	5,455,048
Undesignated	<u>5,012,380</u>	<u>4,121,230</u>
Total without donor restrictions	10,760,975	9,576,278
With donor restrictions		
Endowment	7,321,375	6,792,254
Subject to purpose restrictions	<u>19,926</u>	<u>26,916</u>
Total with donor restrictions	7,341,301	6,819,170
Total net assets	<u>18,102,276</u>	<u>16,395,448</u>
Total liabilities and net assets	\$ 18,135,757	\$ 16,439,502

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Statement of Activities For the Year Ended December 31, 2025

	Without donor restrictions	With donor restrictions	Total
Revenue and Support			
Contributions of cash and other financial assets	\$ 1,807,824	\$ 15,011	\$ 1,822,835
Parish/mission sales proceeds	489,345	-	489,345
Investment income	150,788	117,810	268,598
Other income	8,563	-	8,563
Interest income	422	-	422
Net realized and unrealized gain (loss) on investments	837,808	725,086	1,562,894
Net assets released from restrictions	<u>335,776</u>	<u>(335,776)</u>	<u>-</u>
Total revenue and support	3,630,526	522,131	4,152,657
Expenses			
Program services	2,036,204	-	2,036,204
General and administrative services	<u>409,625</u>	<u>-</u>	<u>409,625</u>
Total expenses	2,445,829	-	2,445,829
Change in net assets	1,184,697	522,131	1,706,828
Net assets, beginning of year	<u>9,576,278</u>	<u>6,819,170</u>	<u>16,395,448</u>
Net assets, end of year	\$ 10,760,975	\$ 7,341,301	\$ 18,102,276

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Statement of Activities For the Year Ended December 31, 2024

	Without donor restrictions	With donor restrictions	Total
Revenue and Support			
Contributions of cash and other financial assets	\$ 1,792,754	\$ 15,062	\$ 1,807,816
Investment income	145,606	116,543	262,149
Other income	32,834	-	32,834
Interest income	558	-	558
Net realized and unrealized gain (loss) on investments	780,780	777,484	1,558,264
Net assets released from restrictions	420,310	(420,310)	-
Total revenue and support	3,172,842	488,779	3,661,621
Expenses			
Program services	2,015,358	-	2,015,358
General and administrative services	397,118	-	397,118
Total expenses	2,412,476	-	2,412,476
Change in net assets	760,366	488,779	1,249,145
Net assets, beginning of year	8,815,912	6,330,391	15,146,303
Net assets, end of year	\$ 9,576,278	\$ 6,819,170	\$ 16,395,448

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Statement of Functional Expenses For the Year Ended December 31, 2025

	Program services	General and administrative	Total
Compensation and benefits	\$ 619,639	\$ 291,666	\$ 911,305
Convention expenses	17,696	-	17,696
Depreciation	30,975	14,580	45,555
Dues and subscriptions	7,000	9,123	16,123
Educational council, support payments for education	144,883	-	144,883
Insurance	26,713	-	26,713
Ministry service council, support payments	106,461	-	106,461
Miscellaneous	-	22,933	22,933
Missions council, support to Diocesan churches	268,414	-	268,414
Outreach, payments to National Church and Diocesan affiliates	388,867	-	388,867
Professional fees	-	34,334	34,334
Repairs and maintenance	49,559	23,327	72,886
Special programs	2,197	-	2,197
Supplies	5,230	-	5,230
Supports and grants	319,222	-	319,222
Telephone	2,656	2,673	5,329
Training	3,523	3,153	6,676
Travel, meals, and entertainment	29,434	1,371	30,805
Utilities	13,735	6,465	20,200
	\$ 2,036,204	\$ 409,625	\$ 2,445,829

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Statement of Functional Expenses For the Year Ended December 31, 2024

	Program services	General and administrative	Total
Compensation and benefits	\$ 755,841	\$ 271,570	\$ 1,027,411
Communications	359	-	359
Convention expenses	51,904	-	51,904
Depreciation	38,527	13,843	52,370
Dues and subscriptions	6,035	5,935	11,970
Educational council, support payments for education	124,845	-	124,845
Insurance	29,201	-	29,201
Ministry service council, support payments	141,483	-	141,483
Miscellaneous	-	18,960	18,960
Missions council, support to Diocesan churches	168,858	-	168,858
Outreach, payments to National Church and Diocesan affiliates	378,579	-	378,579
Professional fees	-	54,275	54,275
Repairs and maintenance	47,033	16,899	63,932
Special programs	2,924	-	2,924
Supplies	-	5,796	5,796
Supports and grants	231,848	-	231,848
Telephone	2,518	1,951	4,469
Training	1,576	191	1,767
Travel, meals, and entertainment	19,798	2,658	22,456
Utilities	14,029	5,040	19,069
	\$ 2,015,358	\$ 397,118	\$ 2,412,476

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Statements of Cash Flows

For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash and cash equivalents, beginning of year	\$ 500,915	\$ 483,081
Cash flows from operating activities		
Change in net assets	1,706,828	1,249,145
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	45,555	52,370
Unrealized losses (gains) on investments, net	(494,911)	(1,079,841)
Change in:		
Accounts receivable	(6,208)	10,140
Prepaid expenses	11,292	11,034
Accounts payable	(6,032)	(31,055)
Accrued expenses	1,863	(11)
Deferred revenue	(6,404)	(17,790)
Net cash provided (used) by operating activities	1,251,983	193,992
Cash flows from investing activities		
Principal payments received on notes receivable	15,325	15,261
Purchase of investments	(1,470,012)	(293,097)
Proceeds from sale of investments	302,621	104,195
Purchases of property and equipment	(15,927)	(2,517)
Net cash provided (used) by investing activities	(1,167,993)	(176,158)
Net change in cash and cash equivalents	83,990	17,834
Cash and cash equivalents, end of year	\$ 584,905	\$ 500,915

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Notes to Financial Statements

For the Years Ended December 31, 2025 and 2024

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of The Convention of the Protestant Episcopal Church in the Diocese of Tennessee (the Diocese) have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Basis of Presentation

The financial statement presentation of the Diocese follows the recommendations of accounting and financial reporting standards prescribed for not-for-profit organizations. Accordingly, net assets of the Diocese and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Bishop and Council.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions may be fulfilled by actions of the Diocese or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of assets to be maintained in perpetuity permit the Diocese to use all or part of the income earned on related investments for general or specific purposes.

The Diocese is comprised of 45 parishes and missions in the Middle Tennessee area. The Bishop and Council of the Diocese have fiduciary responsibility for the Diocese. Those responsibilities include oversight of the regular operating activities in the operating budget and for the Dandridge Trust and Mid-Cumberland Mountain Ministries (MCMM). The Dandridge Trust, a grant making body of the Diocese, gives grants for outreach projects primarily inside of the Diocese. MCMM provides zero to low percent interest-bearing housing loans and rehabilitation loans to qualifying participants in the Grundy County area. The accounts of the Dandridge Trust and MCMM are included in the accompanying financial statements.

When deemed appropriate, parishes and missions may deposit funds into the Episcopal Endowment Corporation, a common trust fund held at a financial institution. The common trust funds owned by the Diocese are included in these financial statements. Other funds owned at the congregational level are not a part of these financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Diocese considers its cash and cash equivalents to include cash in checking and savings accounts, certificates of deposit, and money market accounts which are readily available for current operations. Cash and cash equivalents during the year may exceed Federal Deposit Insurance Corporation (FDIC) limits. Excess uninsured balances of the Diocese at December 31, 2025 and 2024 were approximately \$297,000 and \$207,000, respectively.

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Notes to Financial Statements

For the Years Ended December 31, 2025 and 2024

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Investments

The Diocese carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the statements of activities.

Fair Value Measurements

The Diocese uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurement* topic of Financial Accounting Standards Board Accounting Standards Codification (ASC), the fair value of a financial instrument is the price 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. In accordance with this guidance, the Diocese groups its financial assets and liabilities generally measured at fair value in a three level valuation hierarchy for disclosure of fair value measurements defined as Level 1 – inputs for quoted market prices for identical assets or liabilities in active markets; Level 2 – inputs include quoted market prices for similar assets and liabilities in active markets and inputs that are observable either directly or indirectly; and Level 3 – inputs that are unobservable and significant to the fair value measurements.

Notes Receivable

Notes receivable are stated at unpaid principal balance, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. The accrual of interest on loans is discontinued at the time a loan becomes delinquent. Notes are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured. There are no significant past due notes receivable at December 31, 2025 and 2024. Past due status is based on contractual terms. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if management believes that collection of principal or interest is doubtful.

The Diocese maintains an allowance for uncollectible notes receivable carried at an amount which bad debts are reasonably expected not to exceed. The allowance for uncollectible notes receivable is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the notes receivable in light of historical experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Notes receivable are charged off against the allowance for uncollectible notes receivable when management of the Diocese determines collection efforts will not be successful. Bad debt expense was not significant in 2025 and 2024 .

Property and Equipment

Property and equipment is recorded at cost or, if donated, at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, donations of property and equipment are recorded as unrestricted support. Depreciation is computed using the straight-line method over the life of the asset, which ranges from 3 to 40 years.

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Notes to Financial Statements

For the Years Ended December 31, 2025 and 2024

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Property and Equipment

Land, buildings, and equipment of the Diocese parish and mission churches are reported on each congregation's financial statements as they maintain the beneficial use of the property and are not included in the accompanying financial statements. In accordance with the Canons of the Diocese, the title to all properties are held in trust of the Diocese and would revert to the Diocese in the event a congregation ceases operations or ceases operating in accordance with the Charter, Constitution, or Canons of the Diocese, and the Episcopal Church.

Endowment

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted in Tennessee effective July 1, 2007. US GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies, and additional disclosures not previously required.

The endowment includes both donor-restricted funds and funds designated by the Bishop and Council to function as endowments. The net assets associated with endowment funds including funds designated by the Bishop and Council to function as endowments are classified and reported based on existence or absence of donor-imposed restrictions.

The Diocese has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. To achieve its long-term rate of return objectives, the Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Diocese expects its endowment funds over time to provide an average rate of return of approximately 4% to 5% annually. The Diocese's endowment spending policy uses a percentage of a three-year moving average of the endowment fund's market value which is distributed to the appropriate funds. These distributions consist of interest, dividends, and if necessary, a portion of accumulated investment gains.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of net assets with donor restrictions.

Contributions

Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of Nonfinancial Assets

No amounts have been reflected in the financial statements with respect to donated services as no objective basis is available to place a value on such services; however, volunteers have donated their time to help in the administration of the Diocese's office.

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Notes to Financial Statements

For the Years Ended December 31, 2025 and 2024

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Income Taxes

The Diocese is generally exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income tax was paid or recorded in the financial statements for the years ended December 31, 2025 and 2024.

Functional Expenses

The cost of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While most costs have been directly assigned to a functional category, certain compensation and benefits have been allocated to program and general and administrative based on time and effort estimates made by management. Given that contributions are primarily received through regular tithing activities of member parishes and mission churches, no costs are deemed to be fundraising in nature.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services – Includes activities carried out to fulfill the Diocese's mission.

General and Administrative – Administrative expenses related to the overall direction of the Diocese. These expenses are not identifiable with a particular program or event but are indispensable to the conduct of those activities and are essential to the Diocese.

Leases

The Diocese determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Diocese obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Diocese also considers whether its service arrangements include the right to control the use of an asset.

The Diocese made an accounting policy election available under ASC Topic 842 not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Diocese made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Notes to Financial Statements

For the Years Ended December 31, 2025 and 2024

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Leases

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Diocese has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component. The non-lease components typically represent additional services transferred to the Diocese which are variable in nature and recorded in variable lease expense in the period incurred.

The Diocese has made an accounting policy election to use the risk-free rate as the discount rate if the rate implicit in the lease is not readily determinable. The risk-free rate is the rate of a zero-coupon US Treasury instrument for the same period of time as the lease term.

Leases are not material to the Diocese's financial statements and, therefore, separate line-item presentation and additional disclosures are not presented.

Note 2. Liquidity and Availability

The following table represents the Diocese's financial assets, reduced by amounts not available for general expenditure within one year:

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 584,905	\$ 500,915
Accounts receivable	15,986	9,778
Investments	<u>15,998,292</u>	<u>14,335,990</u>
Total financial assets at year-end	16,599,183	14,846,683
Less amounts not available to be used within one year		
Designated	5,748,595	5,455,048
Purpose restrictions including earnings on endowment	5,409,635	4,887,504
Amounts held in perpetuity	<u>1,931,666</u>	<u>1,931,666</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,509,287	\$ 2,572,465

Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the Bishop and Council has set aside the funds for a specific purpose. These designations could be drawn upon if governance approves that action. The Diocese considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission.

The Diocese has certain assets limited to use for donor-restricted purposes, as well as other designated assets that are designated for future capital expenditure and programs. These assets limited to use are not available for general expenditure within the next year. However, the designated amounts could be made available, if necessary.

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Notes to Financial Statements

For the Years Ended December 31, 2025 and 2024

Note 3. Fair Value Measurements and Investments

Fair value of assets and liabilities measured on a recurring basis at December 31, 2025 are as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Episcopal Endowment Corporation	\$ -	\$ 14,079,082	\$ -	\$ 14,079,082
Mutual funds	1,893,972	-	-	1,893,972
Money market funds	<u>25,238</u>	<u>-</u>	<u>-</u>	<u>25,238</u>
	\$ 1,919,210	\$ 14,079,082	\$ -	\$ 15,998,292

Fair value of assets and liabilities measured on a recurring basis at December 31, 2024 are as follows:

	Level 1	Level 2	Level 3	Total
Investments				
Episcopal Endowment Corporation	\$ -	\$ 12,610,734	\$ -	\$ 12,610,734
Mutual funds	1,700,063	-	-	1,700,063
Money market funds	<u>25,193</u>	<u>-</u>	<u>-</u>	<u>25,193</u>
	\$ 1,725,256	\$ 12,610,734	\$ -	\$ 14,335,990

The majority of the Diocese's investments are held by Episcopal Endowment Corporation Common Trust Fund (the Fund). The Fund was established in 1933 to receive and manage funds from the Diocese and related parishes, missions, and other authorized entities. The Fund primarily invests in mutual funds and common stocks.

Investment income in the statements of activities is as follows:

	2025	2024
Investment income		
Endowment investments	\$ 144,284	\$ 142,374
Other investments	124,314	119,775
Realized and unrealized gains (losses)		
Endowment investments	810,720	807,394
Other investments	<u>752,174</u>	<u>750,870</u>
	\$ 1,831,492	\$ 1,820,413
Without donor restrictions	\$ 988,596	\$ 926,386
With donor restrictions	<u>842,896</u>	<u>894,027</u>
	\$ 1,831,492	\$ 1,820,413

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Notes to Financial Statements

For the Years Ended December 31, 2025 and 2024

Note 4. Notes Receivable

Notes receivable bear interest from 0%-2% and mature through 2031. Notes receivable consist of the following:

	2025	2024
MCMR Residential Real Estate	\$ 40,439	\$ 55,764
Less: allowance for uncollectible notes receivable	-	-
	<u>\$ 40,439</u>	<u>\$ 55,764</u>

Note 5. Property and Equipment

Property and equipment consist of the following:

	2025	2024
Land	\$ 766,102	\$ 766,102
Buildings	1,024,799	1,024,799
Office furniture and equipment	359,892	344,130
Website	33,165	33,000
Less: accumulated depreciation	(718,552)	(672,997)
Fixed assets, net	<u>\$ 1,465,406</u>	<u>\$ 1,495,034</u>

Note 6. Endowment

Endowment composition by type of fund were as follows at December 31, 2025:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 7,321,375	\$ 7,321,375
Board-designated endowment funds	1,471,845	-	1,471,845
Total assets at fair value	<u>\$ 1,471,845</u>	<u>\$ 7,321,375</u>	<u>\$ 8,793,220</u>

Endowment composition by type of fund were as follows at December 31, 2024:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 6,796,254	\$ 6,796,254
Board-designated endowment funds	1,510,261	-	1,510,261
Total assets at fair value	<u>\$ 1,510,261</u>	<u>\$ 6,796,254</u>	<u>\$ 8,306,515</u>

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Notes to Financial Statements

For the Years Ended December 31, 2025 and 2024

Note 6. Endowment

Changes in endowment for 2025:

	Without donor restrictions	With donor restrictions	Total
Endowment and similar net assets at January 1, 2025	\$ 1,510,261	\$ 6,796,254	\$ 8,306,515
Investment income, net	26,474	117,810	144,284
Net realized and unrealized gains (losses)	<u>148,657</u>	<u>662,063</u>	<u>810,720</u>
Total endowment return	175,131	779,873	955,004
Gifts to endowment	21,485	-	21,485
Endowment spending for operations	<u>(235,032)</u>	<u>(254,752)</u>	<u>(489,784)</u>
Endowment and similar net assets at December 31, 2025	\$ 1,471,845	\$ 7,321,375	\$ 8,793,220

Changes in endowment for 2024:

	Without donor restrictions	With donor restrictions	Total
Endowment and similar net assets at January 1, 2024	\$ 1,419,113	\$ 6,303,478	\$ 7,722,591
Investment income, net	25,831	116,543	142,374
Net realized and unrealized gains	<u>146,739</u>	<u>660,655</u>	<u>807,394</u>
Total endowment return	172,570	777,198	949,768
Gifts to endowment	19,946	-	19,946
Endowment spending for operations	<u>(101,368)</u>	<u>(284,422)</u>	<u>(385,790)</u>
Endowment and similar net assets at December 31, 2024	\$ 1,510,261	\$ 6,796,254	\$ 8,306,515

Endowment and similar net assets classified as net assets without donor restrictions include unrestricted gifts from donors and other funds designated by the Diocese as quasi-endowment for the long-term support of the Diocese, including any accumulated income and appreciation thereon. Endowment net assets with donor restrictions include accumulated income and appreciation on donor-contributed endowment funds. Endowment funds and similar net assets with donor restrictions consist of those funds designated by donors to be invested in perpetuity to provide a permanent source of income. Endowment and similar net assets are primarily used to fund missions, support for clergy, and other programs within the Diocese. At December 31, 2025 and 2024, the Diocese's endowment amounts to be held in perpetuity totaled \$1,931,666.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Diocese to retain as a fund of perpetual duration.

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Notes to Financial Statements

For the Years Ended December 31, 2025 and 2024

Note 7. Commitments

Guaranties

The Diocese is a guarantor on mortgage notes payable to financial institutions for the construction and renovation of two parish's buildings. The parishes are responsible for the monthly mortgage payments and the Diocese serves as a guarantor should the parishes default. The Diocese evaluates the financial position of the parishes on an annual basis and has determined that it is remote that any debt assistance will be needed in the future and therefore has not accrued or recorded any liability. The mortgage notes payable call for monthly principal and interest payments of \$15,452 and \$3,619 and mature in December 2027 and May 2028. The notes bear interest at 3.69% and 6.25% and are secured by real property whose fair value is in excess of the principal amounts. Should the parishes default and the Diocese be required to make payments, the Diocese could seek recourse through reversion of the property to the Diocese.

Total outstanding balances were as follows:

	2025	2024
Church of the Good Shepherd	\$ 1,896,827	\$ 2,009,025
Church of the Holy Spirit	<u>359,352</u>	<u>379,316</u>
	\$ 2,256,179	\$ 2,388,341

The Diocese has not provided any debt assistance in 2025 and 2024 and does not anticipate providing assistance on these notes in the future. Therefore, no accrual for debt assistance is included in the 2025 or 2024 financial statements.

Retirement Plans

The Diocese makes contributions to The Church Pension Fund Clergy Pension Plan (Clergy Plan) of the Episcopal Church for clergy members serving on the Diocesan staff. The Church Pension Fund provides a pension at retirement, disability retirement benefits, and lump-sum death payments. The Episcopal Canons require every church unit engaging clergy services to pay an assessment based on compensation. This applies to full-time, part-time, supply, or interim work performed by clergy that continues for at least three months and where the clergy is paid more than \$200 during a three-month consecutive period. The Fund's trustees have set the assessment rate at 18% of annual compensation plus certain benefits. The expenses related to this plan were \$68,695 and \$92,673 for 2025 and 2024, respectively.

The Diocese also participates in The Episcopal Church Lay Employees' Retirement Plan (Lay Plan), which is available to lay employees who have completed one year of service and have attained the age of 25. The Diocese contributes a percentage of the employee's earnings, and employees become fully vested after five years of service. The expenses related to this plan were \$13,508 and \$12,767 for 2025 and 2024, respectively.

The Convention of the Protestant Episcopal Church in the Diocese of Tennessee

Notes to Financial Statements

For the Years Ended December 31, 2025 and 2024

Note 7. Commitments

Retirement Plans

At March 31, 2025 (the most recent available plan information), Clergy Plan net assets available for pension benefits after amount designated for assessment deficiency was approximately \$14.4 billion, and the actuarial present value of accumulated plan benefit obligations was approximately \$5.8 billion. At March 31, 2025, Lay Plan net assets available for pension benefits after amount designated for assessment deficiency was approximately \$277 million, and the actuarial present value of accumulated plan benefit obligations was approximately \$196 million. The Clergy Plan was in excess of 40% funded at March 31, 2025. The Lay Plan was over 71% funded at March 31, 2025. The Diocese contributions to the respective retirement plans was less than 1% of total plan contributions for the most recently reported plan year.

Note 8. Concentrations

The Diocese receives a substantial amount of its contributions from two parishes. The contributions from these two parishes comprised approximately 41% and 40% of total contributions during 2025 or 2024, respectively. A significant reduction in the level of this support, if this were to occur, could have an adverse impact on the Diocese's programs and services.

At December 31, 2025 and 2024, investments totaled \$15,998,292 and \$14,335,990, respectively. Investments are primarily invested in common trust funds which primarily invest in mutual funds and common stocks. Such amounts are not insured by FDIC or any other government agency and are subject to investment risk, including loss of principal. Investments are insured by the Securities and Investor Protection Corporation, which covers investor losses up to \$500,000, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms.

Note 9. Subsequent Events

Management has evaluated subsequent events through June 8, 2026, the date on which the financial statements were available for issuance.