



**THE DIOCESE OF RAPID CITY**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**



**Ketel Thorstenson, LLP**  
Certified Public Accountants/Business & Personal Consultants

810 Quincy Street • Rapid City, SD 57701 • [www.ktllp.com](http://www.ktllp.com)

**THE DIOCESE OF RAPID CITY**

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# Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

810 Quincy Street  
P.O. Box 3140, Rapid City, South Dakota 57709  
Telephone (605) 342-5630 • e-mail: [ktllp@ktllp.com](mailto:ktllp@ktllp.com)

## INDEPENDENT AUDITOR'S REPORT

Bishop Robert Gruss and Finance Council  
The Diocese of Rapid City  
Rapid City, South Dakota

We have audited the accompanying financial statements of **THE DIOCESE OF RAPID CITY** (the Diocese), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year ended June 30, 2019, and the related notes to the financial statements.

### ***Management's Responsibility 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **THE DIOCESE OF RAPID CITY** as of June 30, 2019 and 2018, and its changes in net assets and its cash flows for the year ended June 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matter – Comparative Summarized Information***

We have previously audited the Diocese's 2018 financial statements, and our report dated December 4, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative Statement of Activities and Changes in Net Assets presented herein for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Effect of Adopting New Accounting Standard***

As discussed in Note 1 to the financial statements, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, which was adopted by the Diocese for the year ended June 30, 2019. The effects of implementing this standard include certain formatting and terminology changes, reclassification of external investment costs and the addition of a statement of functional expenses. In addition, expanded note disclosures for net asset classifications, functional allocation, and liquidity and availability of resources are now included in the financial statements.



KETEL THORSTENSON, LLP  
Certified Public Accountants

November 21, 2019

**THE DIOCESE OF RAPID CITY**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 10)	\$ 349,932	\$ 278,291
Accounts Receivable	444,821	197,006
Promises to Give -- Annual Appeal, Less Allowance for Uncollectible Amounts of \$79,469 and \$75,814 at June 30, 2019 and 2018, Respectively (Note 2)	202,917	195,588
Promises to Give -- Other Appeals, Current Portion, Less Allowance for Uncollectible Amounts (Note 2)	32,559	57,645
Promises to Give -- Living the Mission Appeal, Current Portion, Less Allowance for Uncollectible Amounts (Note 2)	1,921,564	-
Promise to Give --Western SD Catholic Foundation	623,329	675,000
Prepaid Expenses	77,554	66,469
<b>Total Current Assets</b>	<b>3,652,676</b>	<b>1,469,999</b>
<b>Property and Equipment (Note 3)</b>		
Furniture, Equipment and Vehicles	994,527	986,065
Terra Sancta Retreat Center and Improvements (Note 4)	9,776,115	9,736,133
Diocesan Buildings and Improvements	433,396	432,769
	<b>11,204,038</b>	<b>11,154,967</b>
Less Accumulated Depreciation	<b>2,319,672</b>	<b>2,138,353</b>
	<b>8,884,366</b>	<b>9,016,614</b>
Land for Future Expansion, at Cost	523,328	523,328
Land	151,765	151,765
Construction in Progress (Notes 2 and 4)	4,259,512	-
	<b>13,818,971</b>	<b>9,691,707</b>
<b>Other Assets</b>		
Promises to Give -- Other Appeals, Net of Allowance, Discount and Current Portion (Note 2)	28,441	61,975
Promises to Give -- Living the Mission Appeal, Net of Allowance, Discount and Current Portion (Note 2)	5,825,464	-
Other Assets	2,332	2,554
Investment -- Securities (Notes 4 and 10)	6,113,218	6,593,661
Accrued Interest Receivable	19,236	23,148
Investment -- Cash Surrender Value of Life Insurance	86,473	85,840
Investment -- SM Properties, LLC (Note 4)	562,841	563,227
	<b>12,638,005</b>	<b>7,330,405</b>
<b>TOTAL ASSETS</b>	<b>\$ 30,109,652</b>	<b>\$ 18,492,111</b>

The accompanying notes are an integral part of these statements.

<b>LIABILITIES AND NET ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>Current Liabilities</b>		
Current Maturities of Long-Term Debt (Note 4)	\$ 112,453	\$ 41,140
Accounts Payable and Accrued Liabilities	293,308	254,130
Accrued Interest	6,768	-
Grants and Contributions Held for Others (Note 5)	41,336	30,645
Amounts Held for Others -- Other Appeals (Note 2)	5,335	185
Amounts Held for Others -- Miscellaneous	209,937	214,855
Amounts Held for Others -- Living the Mission (Note 2)	2,018,286	-
<b>Total Current Liabilities</b>	<b>2,687,423</b>	<b>540,955</b>
<b>Long-term Liabilities</b>		
Long-Term Debt, Less Current Maturities (Note 4)	3,155,100	82,290
Line of Credit (Note 4)	1,115,723	-
Guarantee Liability (Note 4)	7,759	15,999
	<b>4,278,582</b>	<b>98,289</b>
 <b>Commitments</b> (Notes 3, 4, 6 and 11)		
 <b>Net Assets</b>		
<i>With Donor Restrictions:</i> (Notes 8 and 9)		
Restricted in Perpetuity	2,426,520	2,313,992
Purpose/Time Restrictions	2,217,725	2,670,517
<b>Total Net Assets With Donor Restrictions</b>	<b>4,644,245</b>	<b>4,984,509</b>
<i>Without Donor Restrictions:</i>		
Designated (Note 7)	7,092,442	1,261,674
Undesignated	11,406,960	11,606,684
<b>Total Net Assets Without Donor Restrictions</b>	<b>18,499,402</b>	<b>12,868,358</b>
<b>Total Net Assets</b>	<b>23,143,647</b>	<b>17,852,867</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 30,109,652</b>	 <b>\$ 18,492,111</b>

**THE DIOCESE OF RAPID CITY**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2019**

	-----For the Year Ended June 30, 2019-----			For the Year Ended June 30, 2018 Memorandum Only Total (Note 1)
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and Revenues</b>				
Living the Mission Appeal (Note 2)	\$ 9,704,615	\$ -	\$ 9,704,615	\$ -
Annual Appeal	1,592,642	-	1,592,642	1,506,485
Western SD Catholic Foundation Grant	-	659,903	659,903	1,175,000
Investment Return, Net	122,847	284,075	406,922	333,645
Programs	310,761	4,160	314,921	323,426
Contract Services	197,315	-	197,315	245,128
Terra Sancta Retreat Center Fees	196,795	-	196,795	165,226
Adopt A Seminarian Appeal	-	163,020	163,020	153,249
Gifts and Bequests	89,559	21,356	110,915	529,126
Catholic Extension Society Grants	-	72,691	72,691	83,182
Committee on Home Missions Grants	-	60,500	60,500	70,000
Other Grants	-	51,725	51,725	51,019
Parish Assessments	42,700	-	42,700	43,073
Black and Indian Mission Office Grants	-	24,000	24,000	20,000
Gain on the Sale of Property	19,837	-	19,837	5,000
Mission Coop Program Contributions	13,689	-	13,689	62,432
We Walk By Faith Appeal (Note 2)	-	4,285	4,285	6,994
SM Properties LLC Investment Loss	(386)	-	(386)	(691)
Terra Sancta Guild Appeal (Note 2)	-	-	-	121,120
Net Assets Released from Restriction	1,685,979	(1,685,979)	-	-
<b>Total Support and Revenues</b>	<b>13,976,353</b>	<b>(340,264)</b>	<b>13,636,089</b>	<b>4,893,414</b>
<b>Expenses</b>				
Program Services	5,626,629	-	5,626,629	3,453,468
Management and General	851,055	-	851,055	427,493
Fundraising	1,875,865	-	1,875,865	708,757
<b>Total Expenses</b>	<b>8,353,549</b>	<b>-</b>	<b>8,353,549</b>	<b>4,589,718</b>
<b>Increase (Decrease) In Net Assets Before</b>				
<b>Other Income (Expense)</b>	<b>5,622,804</b>	<b>(340,264)</b>	<b>5,282,540</b>	<b>303,696</b>
<b>Other Income (Expense)</b>				
Contribution Revenue - Change in Fair Value of Debt Guarantee for Unrelated Party (Note 4)	8,240	-	8,240	9,089
Contribution Expense - Change in Fair Value of Debt Guarantee Received from Unrelated Party (Note 4)	-	-	-	(20,372)
<b>Total Other Income (Expense)</b>	<b>8,240</b>	<b>-</b>	<b>8,240</b>	<b>(11,283)</b>
<b>Change in Net Assets</b>	<b>5,631,044</b>	<b>(340,264)</b>	<b>5,290,780</b>	<b>292,413</b>
Net Assets - Beginning of Year	12,868,358	4,984,509	17,852,867	17,560,454
<b>Net Assets -- End of Year</b>	<b>\$ 18,499,402</b>	<b>\$ 4,644,245</b>	<b>\$ 23,143,647</b>	<b>\$ 17,852,867</b>

The accompanying notes are an integral part of this statement.

THE DIOCESE OF RAPID CITY

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR 2018

	<b>PROGRAM SERVICES</b>			
	Evangelization and Outreach	Seminarian and Clergy	Other	Total Program
Grants and Assistance - Parishes (Note 2)	\$ -	\$ -	\$ 2,018,286	\$ 2,018,286
Salaries and Wages	845,804	82,353	119,302	1,047,459
Professional Services	12,320	16	16	12,352
Grants and Assistance (Note 11)	72,236	513,326	285,558	871,120
Employee Benefits (Note 6)	138,395	61,111	43,913	243,419
Conferences, Conventions and Meetings	149,224	65,922	84,731	299,877
Training and Development	7,897	281,098	-	288,995
Depreciation	199,448	-	11,287	210,735
Retreat Center Food and Supplies	165,136	-	-	165,136
Occupancy	126,470	3,720	7,897	138,087
Office Expenses	88,138	14,320	8,611	111,069
Payroll Taxes	63,941	6,965	7,096	78,002
Information Technology	20,656	3,585	4,516	28,757
Travel	5,596	9,268	13,778	28,642
Contract Services	-	-	-	-
Insurance	25,572	1,066	2,158	28,796
Other	27,475	2,734	5,093	35,302
Legal Fees	-	-	7,063	7,063
Accounting Fees	867	867	867	2,601
Advertising and Promotion	10,527	-	404	10,931
Interest	-	-	-	-
<b>Total Expenses</b>	<b>\$ 1,959,702</b>	<b>\$ 1,046,351</b>	<b>\$ 2,620,576</b>	<b>\$ 5,626,629</b>

The accompanying notes are an integral part of this statement.



**SUPPORTING SERVICES**

		-----Total-----	
Management and General	Fundraising	2019	2018
\$ -	\$ -	<b>\$ 2,018,286</b>	\$ -
476,549	155,005	<b>1,679,013</b>	1,605,142
452	1,580,779	<b>1,593,583</b>	346,264
31,068	1,981	<b>904,169</b>	496,867
132,403	20,868	<b>396,690</b>	369,969
2,441	1,516	<b>303,834</b>	273,046
-	-	<b>288,995</b>	338,572
31,602	7,973	<b>250,310</b>	242,432
-	-	<b>165,136</b>	128,357
22,111	1,579	<b>161,777</b>	172,723
14,170	7,185	<b>132,424</b>	160,244
31,067	11,162	<b>120,231</b>	112,680
39,492	3,661	<b>71,910</b>	81,754
22,511	16,279	<b>67,432</b>	61,341
-	61,392	<b>61,392</b>	63,539
6,042	432	<b>35,270</b>	28,334
8,186	588	<b>44,076</b>	30,440
19,776	1,413	<b>28,252</b>	8,081
12,144	2,602	<b>17,347</b>	16,774
1,041	1,450	<b>13,422</b>	20,056
-	-	-	33,103
<b>\$ 851,055</b>	<b>\$ 1,875,865</b>	<b>\$ 8,353,549</b>	<b>\$ 4,589,718</b>

**THE DIOCESE OF RAPID CITY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Cash Flows from Operating Activities**

Change in Net Assets	\$ 5,290,780
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:</i>	
Depreciation	250,310
Non-Cash Earnings in SM Properties, LLC	386
Non-Cash Change in Fair Value of Guarantee Liability	(8,240)
Gain on Sale of Property and Equipment	(19,837)
Net Realized and Unrealized Gain on Investments	(311,242)
Donated Investments	(162,090)
Provisions for Uncollectible Promises to Give	309,211
Net Change of Present Value Discount	358,950
Contributions Restricted for Long-Term Purposes	(10,331,699)
<i>Working Capital Changes Increasing (Decreasing) Cash and Cash Equivalents:</i>	
Accounts Receivable	(247,815)
Promises to Give -- Annual Appeal	(7,329)
Promises to Give -- Other	58,620
Promises to Give -- Western SD Catholic Foundation	51,671
Prepaid Expenses	(11,085)
Accrued Interest Receivable	3,912
Accounts Payable and Accrued Liabilities	(1,818)
Grants and Contributions Held for Others	10,691
Amounts Held for Others -- Other Appeals	5,150
Amounts Held for Others -- Living the Mission	2,018,286
Amounts Held for Others -- Miscellaneous	(4,918)
Accrued Interest	6,768
<b>Net Cash Flows Used in Operating Activities</b>	<b>(2,741,338)</b>

**Cash Flows from Investing Activities**

Purchases of Property and Equipment	(25,018)
Decrease in Other Assets	222
Proceeds from Sale of Property and Equipment	24,000
Cash Surrender Value of Life Insurance	(633)
Proceeds from Sale of Investments	3,610,244
Purchases of Investments	(2,656,469)
<b>Net Cash Flows Provided by Investing Activities</b>	<b>952,346</b>

**THE DIOCESE OF RAPID CITY**

**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019**

**Cash Flows From Financing Activities**

Repayments of Long Term Debt	(55,877)
Collections of Contributions Restricted for Long-Term Purposes	1,916,510
<b>Net Cash Flows Provided by Financing Activities</b>	<b>1,860,633</b>

**Increase in Cash and Cash Equivalents** **71,641**

Cash and Cash Equivalents -- Beginning of Year 278,291

**Cash and Cash Equivalents -- End of Year** **\$ 349,932**

**Supplemental Disclosure of Cash Flow Information**

Cash Payments for Interest, Net Capitalized Interest of **\$36,625** \$ -

**Supplemental Schedule of Noncash Investing and Financing Transactions**

Borrowings of Long-Term Debt for Purchase of Building	\$ 3,200,000
Borrowings on Line of Credit for Building Renovations	1,115,723
Property Acquired with Accounts Payable	40,996

The accompanying notes are an integral part of this statement.

## THE DIOCESE OF RAPID CITY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

#### (1) Nature of Operations and Summary of Significant Accounting Policies

##### Nature of Operations

The Diocese of Rapid City (the Diocese) is a not-for-profit organization that provides Roman Catholic administration and programs to the western South Dakota area. Revenues are derived primarily from contributions and grants. Major programs sponsored by the Diocese include Evangelization and Outreach, Seminarian and Clergy and Other, which includes tribunal, safe environment and grants to various Catholic organizations and parishes. Evangelization and Outreach expenses directly relate to hosting and preparing evangelization programs for the family life ministry, lay ministries, adult faith formation, youth ministry and communications, as well as outreach programs associated with the native ministries and parish stewardship. Seminarian and Clergy expenses directly relate to the initial training and recruiting of seminarians and deacons, as well as the ongoing Diocesan support of priests and deacons of the Diocese.

Individual parishes located within the Diocese are separate legal entities. The Diocese has no control or economic interest in the individual parishes; therefore, the finances of these parishes are not included in the accompanying financial statements.

##### Use of 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 the amounts and disclosures reported in the financial statements. Actual results could differ from those estimates. A significant estimate included in the accompanying financial statements is the allowance for uncollectible promises to give. It is at least reasonably possible that this estimate could change significantly in the near term.

##### Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting. During the year ended June 30, 2019, the Diocese adopted the provisions of Accounting Standards Update (“ASU”) 2016-14: Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and functional allocation of expenses, and a statement of functional expense was added. Net asset balances did not change; however, investment expenses of \$26,704 were reclassified to investment return, net in the June 30, 2018 memorandum only totals. The accounts of the Diocese are reported in the following net asset categories:

*Net Assets with Donor Restrictions* – Net assets of the Diocese that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). 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, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

*Net Assets without Donor Restrictions* – Net assets of the Diocese that are not subject to donor-imposed restrictions and are available for general operations. In addition, the Board of Directors may designate net assets without donor restriction for specific purposes.

##### Cash and Cash Equivalents

For financial statement purposes, the Diocese considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents. The Diocese’s cash and cash equivalent accounts may, at times, exceed federally insured limits. The Diocese has not experienced any losses on such accounts and feels the risk of exposure to loss is minimal.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018**

**(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)**

**Accounts Receivable**

Accounts receivable consist of amounts due from parishes and other organizations within the Diocese. Accounts receivable are billed out monthly and are due within thirty days of the invoice date. No interest is charged on past due amounts. All amounts at June 30, 2019, are current, and the Diocese considers them to be fully collectible. Accordingly, no allowance for doubtful accounts is recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

**Promises to Give**

Unconditional promises to give are recognized as assets and revenues in the period pledged. Amounts due after more than one year are recorded at their present value. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible promises to give is estimated based on previous collection history and potential collection problems.

**Property and Equipment**

Property and equipment purchases in excess of \$250 or more are capitalized at cost. Donated property and equipment is stated at fair market value at the date of the donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture, Equipment and Vehicles	5-10 Years
Buildings and Improvements	40-50 Years

The Diocese and St. Elizabeth Seton Central Catholic Corporation (the School), an unrelated entity, each own a portion of the Terra Sancta building, and have signed an agreement that dictates how common costs (i.e. utilities, maintenance, and costs directly related to common areas) are allocated to each entity.

**Investment -- Securities**

The Diocese records its investments at fair market value with changes in fair market value accounted for in the Statement of Activities and Changes in Net Assets. Donated investments are recorded at the estimated fair market value on the date of the donation. Net investment return consists of realized and unrealized gains and losses, interest and dividend income, and external investment expenses. Amounts are classified according to donor stipulation. Realized gains and losses are determined on a specific identity basis.

Investments are managed by professional investment managers whose performance is monitored by management and the Diocese's investment committee of the Board of Directors. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management and the investment committee believe the investment policies and guidelines are prudent for the long-term welfare of the Diocese.

**Investment -- SM Properties, LLC**

The Diocese accounts for its 50 percent interest in SM Properties, LLC (the LLC) under the equity method. The LLC holds and maintains vacant land adjacent to the Terra Sancta Retreat Center. Activity in the current year represents the Diocese's share of income for the year ended June 30, 2019.

**Long-Lived Assets**

Impairment losses are recorded when indicators of impairment are present and the carrying amount of a long-lived asset exceeds its fair market value. In addition, management reviews useful lives of long-lived assets annually. No assets were deemed impaired in 2019 or 2018 based on management's analysis.

## **THE DIOCESE OF RAPID CITY**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019 AND 2018**

#### **(1) Nature of Operations and Summary of Significant Accounting Policies (Continued)**

##### **Amounts Held for Others -- Miscellaneous**

Amounts held for others represent voluntary transfers of assets to the Diocese by certain individuals and dioceses. As the Diocese is not the specified beneficiary, these agency transactions are not accounted for in the Statement of Activities and Changes in Net Assets. Although the beneficiaries may intend to maintain the funds for an extended period of time, the funds can be withdrawn at any time. The Diocese invests these funds and allocates a ratable amount of return to the Amounts Held for Others on a quarterly basis.

##### **Revenue Recognition**

Revenue not considered to be contributions is recognized as services are provided (e.g. programs and retreats) or over the terms of related agreements (e.g. contract service income). Terra Sancta Retreat Center income is reported net of sales taxes collected.

##### **Contributed Services**

Contributions of services that create or enhance non-financial assets or those that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair value in the period received. No significant amounts meeting this criteria were received in the years ended June 30, 2019 and 2018. The Diocese receives a significant amount of donated services from unpaid volunteers. A dollar valuation of these services is not reflected in the financial statements since it does not meet the criteria for recognition.

##### **Expense Allocation**

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Certain expenses can be directly allocated to program or supporting functions. Other categories of expenses are attributable to more than one program or supporting function and require allocation in a reasonable basis that is consistently applied. Specifically, wages are allocated based on estimates of time spent on each function, and occupancy expenses are allocated based on estimated square footage.

##### **Federal Income Tax**

The Diocese qualifies as an exempt organization under a group ruling issued by the Internal Revenue Service. Accordingly, the Diocese is considered a Section 501(c)(3) organization and is not required to file the annual information Form 990, as it is considered to be a church-affiliated organization. In addition, it is not considered to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. At June 30, 2019, the Diocese believes no significant uncertain tax positions or liabilities exist. No federal income tax is paid unless net income is derived from activities that are unrelated to its exempt activities. No such activities are conducted.

##### **Memorandum Only Total**

The June 30, 2018, Statement of Activities and Changes in Net Assets totals are captioned "Memorandum Only." Such information is presented only to facilitate financial analysis. This data does not present the financial statements in the amount of detail that accounting principles generally accepted in the United States of America require. The complete June 30, 2018, financial statements were included with the prior year report, but they are not presented here because of space limitations and to avoid cumbersome and confusing formats.

##### **Reclassifications**

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation, with no effect on previously reported net assets for the year ended June 30, 2018.

## THE DIOCESE OF RAPID CITY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2019 AND 2018

#### (1) Nature of Operations and Summary of Significant Accounting Policies (Concluded)

##### Emerging Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, provides more useful information to users of financial statements through improved disclosure requirements, and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The ASU outlines five steps to achieve proper revenue recognition: identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies the performance obligation. This standard is effective for annual reporting periods beginning after December 15, 2018. The Diocese is currently evaluating the impact this standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which will assist entities in determining whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. This determination is based on whether or not the resource provider is receiving commensurate value in return for resources transferred, and clarifies that executing the mission or providing societal benefit does not equate to commensurate value. The standard will also assist entities in determining whether a contribution is conditional on the basis of whether a barrier must be overcome and either a right of return of assets transferred or a right of release of the promisor from its obligation to transfer assets exists. The standard is effective for contributions received in annual periods beginning after December 15, 2018 and for contributions made in annual periods beginning after December 15, 2019. The Diocese is currently evaluating the impact this standard will have on the financial statements.

##### Subsequent Events

Subsequent events have been evaluated through November 21, 2019, the date which the financial statements were available to be issued.

#### (2) Promises to Give

##### *Annual Appeal*

The Diocese conducts an annual campaign to support general Diocesan operations. Contributions from members of the Finance Council and employees of the Diocese totaling approximately **\$25,000** were made during the year ended June 30, 2019.

##### *Other Appeals*

During 2009, the Diocese commenced the “We Walk by Faith” fund-raising capital appeal to raise \$12,500,000 over a five year time period. The fundraiser consists of capital appeals for both the Diocese and the School, along with campus ministries, and is being managed by the Diocese. Funds received less expenses paid from these funds on behalf of the School and campus ministries are included in Amounts Held for Others in the accompanying Statements of Financial Position and are not revenues of the Diocese. The funds raised for the Diocesan portion of the capital appeal were used to renovate the St. Martin Monastery property acquired in 2008 (further referred to as the Terra Sancta project).

The Diocese also conducted the “Terra Santa Guild Campaign” to support general Diocesan operations. The Campaign ended in 2019. As with the We Walk by Faith appeal, funds may be directed to the School, in which case cash received is included as Amounts Held for Others and is not revenue of the Diocese. In addition, unless otherwise specified by the donor, 20% of all promises to give were added to permanently restricted endowment funds (Notes 8 and 9).

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018**

**(2) Promises to Give – Long Term (Continued)**

*Other Appeals (Continued)*

At June 30, remaining unconditional promises to give from these two appeals were as follows:

	2019	2018
Due in less than one year	\$ 46,936	\$ 78,415
Due in one to five years	41,000	85,648
Due in over five years	-	-
	<b>87,936</b>	164,063
Present Value Discount - 2.5%	-	(1,310)
Allowance for Uncollectible Amounts	<b>(26,936)</b>	(43,133)
<b>Net Promises to Give</b>	<b>\$ 61,000</b>	<b>\$ 119,620</b>

As of June 30, 2019, the Diocese has received conditional promises to give of approximately **\$1,521,786** which have not been recorded in these financial statements. These conditional promises to give are expected to be received as bequests upon the deaths of the contributors and will be recognized as revenue at the time such bequests are irrevocable.

*Living the Mission Appeal*

During 2019, the Diocese commenced the “Living the Mission” fund-raising capital appeal to raise \$12,000,000 over a five year time period. Funds raised are intended to be used to fund projects identified through the 2018 feasibility study; however, final use of the funds raised is at the discretion of the Bishop. Anticipated projects include a new pastoral center, renovation of the Catholic high school kitchen and cafeteria, endowments for Catholic Schools and Native American Ministries and priest retirement. The appeal also promised parishes in the Diocese a contribution if the parish met its assigned appeal goal. The parish share of the appeal is included in Amounts Held for Others in the accompanying Statements of Financial Position.

At June 30, remaining unconditional promises to give were as follows:

	2019	2018
Due in less than one year	\$ 1,994,864	\$ -
Due in one to five years	6,420,325	-
	<b>8,415,189</b>	-
Present Value Discount - 2.5%	<b>(358,950)</b>	-
Allowance for Uncollectible Amounts	<b>(309,211)</b>	-
<b>Net Promises to Give</b>	<b>\$ 7,747,028</b>	<b>\$ -</b>

In conjunction with its Living the Mission Appeal, the Diocese purchased, and is currently renovating, a building that will be its new pastoral center. The project is currently being funded through long-term debt and a revolving line of credit (Note 4). Pledge collections will be used to repay the debt. A fixed price construction contract has not been signed, but management estimates the total project to be approximately \$6 million.

Balances of promises to give (before applying the discount rate) from members of the Finance Council and employees of the Diocese totaled **\$201,000** at June 30, 2019. Of the June 30, 2019 promises to give, 23 percent is attributable to five contributors.

**(3) Priest Retirement Home Lease**

During 2002, the Diocese completed construction of a priest retirement home on land that is leased from a parish within the Diocese at a nominal annual rate. In addition, the Diocese is leasing the priest retirement home to Casa Maria, Inc., an unrelated not-for-profit organization, at a nominal annual rate. Casa Maria, Inc. is providing all management services for the priest retirement home, including maintenance of the building. Both leases have a 99 year term with the option to renew for an additional 99 years. As such, this property qualifies as a capital lease, and the asset is properly not recorded. The Diocese still maintains legal title to the priest retirement home and intends to continue exercising its rights under the lease agreement as legal owners.



**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018**

**(4) Debt Agreements**

During the year ended June 30, 2019, the Diocese entered into a revolving line of credit agreement to fund construction of a pastoral center (Note 2). Borrowings are based on the value and type of securities in the investment portfolio, which secures the debt. The credit line bears interest at a rate determined by RBC Wealth Management, subject to a borrowing base calculation (3.37 percent at June 30, 2019). Borrowings total **\$1,115,723** at June 30, 2019. The line of credit has no repayment schedule, and is therefore included in long term liabilities.

Other long-term debt consists of the following at June 30:	<b>2019</b>	2018
Note payable to a credit union due in monthly installments of \$17,787, including interest at 4.50 percent, with a balloon payment due in March 2029, secured by real estate purchased. (a) (Note 2)	<b>\$ 3,185,263</b>	\$ -
Non-interest bearing Energy Efficiency Conservation Block Grant Loan from the Governor's Office of Economic Development State Energy Plan, due in ten annual installments of \$41,140 on July 1, unsecured.	<b>82,290</b>	123,430
	<b>3,267,553</b>	123,430
Less Current Maturities	<b>112,453</b>	41,140
	<b>\$ 3,155,100</b>	\$ 82,290

a) This note contain a due on demand clause. The credit union has indicated no demand will be made if required payments are on schedule.

On August 8, 2012, the Diocese and the School, entered into separate long-term debt financing arrangements for \$4,000,000 each, or \$8,000,000 total. The Diocese's \$4,000,000 loan agreement with US Bank was secured by an \$8,000,000 mortgage on the Terra Sancta property, a mortgage on the real property held by SM Properties, LLC and a guarantee from the School. The Diocese debt was paid in full during the year ended June 30, 2018 after receiving contributions restricted for debt repayment.

The Diocese has guaranteed US Bank debt of the School. The School's \$4,000,000 loan agreement with US Bank was secured by an \$8,000,000 mortgage on the Terra Sancta property, a mortgage on the real property held by SM Properties, LLC and a guarantee from the Diocese. The Diocese is obligated to perform under this guarantee if the School fails to pay principal and interest payments to the lender when due. The maximum potential amount of future (undiscounted) payments under this guarantee would be **\$1,464,355** at June 30, 2019. However, if the Diocese were required to honor the guarantee, it would be entitled to property owned by the School that collateralizes the loans. In accordance with generally accepted accounting principles, the Diocese has recognized a guarantee liability of **\$7,759** and \$15,999 at June 30, 2019 and 2018, respectively, which represents the fair value of its obligation to "stand ready" to perform under the guarantee.

Maturities of long-term debt are as follows for the years ending June 30:

2020	\$ 112,453
2021	115,739
2022	78,016
2023	81,600
2024	85,348
Thereafter	2,794,397
	<b>\$ 3,267,553</b>

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018**

**(5) Grants and Contributions Held for Others**

Certain grants are received for the benefit of the Diocese, which are recorded as contributions. Other grants and contributions are received by the Diocese for the benefit of others, which are recorded as amounts held for others. Grants and contributions held for others on the Statements of Financial Position represent amounts due to specified unaffiliated beneficiaries. A summary of grant funds passed through the Diocese and therefore not included on the Statement of Activities and Changes in Net Assets is as follows for the year ended June 30:

	<u>2019</u>	<u>2018</u>
Catholic Extension Society	\$ 100,000	\$ 47,875
Black and Indian Mission Office	86,000	176,065
Koch Foundation	-	10,000

**(6) Pension Plan**

The Diocese has a 403(b) pension plan covering full and part-time employees working 30 hours or more per week. Matching contributions by the Diocese are discretionary. Employer contributions totaling **\$46,572** were made during the year ended June 30, 2019 for the **34** eligible employees.

**(7) Designated Net Assets**

Net assets without donor restrictions represent resources over which the Finance Council has advisory control. Included in net assets without donor restrictions at June 30 are designations for the following:

	<u>2019</u>	<u>2018</u>
Living the Mission	\$ 5,925,194	\$ -
Administrative Fund	528,484	423,375
Facility Fund	487,304	456,107
Bishop's Retirement Fund	70,416	62,646
Bishop's Mission Fund	45,496	138,176
Terra Sancta Guild	26,632	29,149
Future Debt Payments	8,916	152,221
	<u>\$ 7,092,442</u>	<u>\$ 1,261,674</u>

**(8) Restrictions on Net Assets**

Net assets restricted in perpetuity at June 30 represent contributions and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity (Note 9) with only the income to be utilized for the purposes listed below.

	<u>2019</u>	<u>2018</u>
Seminary Burse Fund	\$ 2,031,129	\$ 1,927,753
Terra Sancta Guild	159,021	154,670
Travel Trust	150,855	146,866
Bishop Residence	85,515	84,703
	<u>\$ 2,426,520</u>	<u>\$ 2,313,992</u>

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018**

**(8) Restrictions on Net Assets (Continued)**

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

	<b>2019</b>	<b>2018</b>
Priest Education	\$ <b>465,622</b>	\$ 446,934
Western SD Catholic Foundation - Operations	<b>350,000</b>	350,000
Bishop's Overseas Fund	<b>326,131</b>	305,328
Adopt a Seminarian	<b>303,715</b>	386,290
Native American Ministries	<b>204,493</b>	199,179
Foreign Mission	<b>165,604</b>	157,647
Terra Sancta Retreat Operations	<b>128,978</b>	127,130
Seminary Burse Fund (Note 9)	<b>99,480</b>	64,488
We Walk By Faith Appeal -- General Project Needs (Note 2) *	<b>60,433</b>	71,272
Leichtnam Memorial Trust	<b>31,508</b>	34,180
Theology Education	<b>30,735</b>	31,781
Lay Ministry - Association	<b>12,978</b>	10,191
Terra Sancta Guild (Notes 2 and 9)	<b>11,237</b>	11,372
Bishop's Admin Charity Fund	<b>7,893</b>	1,772
National Pastoral Musician	<b>5,219</b>	2,354
Family Life	<b>3,887</b>	3,640
Travel Trust (Note 9)	<b>2,736</b>	3,949
St. Francis Fund	<b>2,169</b>	11,654
Campaign for Human Development	<b>1,714</b>	1,727
Lay Ministry - Education	<b>1,584</b>	1,483
Hispanic Ministry Fund	<b>998</b>	1,024
Rachel's Vineyard	<b>611</b>	572
Priest Retirement	-	418,287
Diocese Priest Retirement	-	28,226
Bishop Residence (Note 9)	-	37
	<b>\$ 2,217,725</b>	<b>\$ 2,670,517</b>

Substantially all investment income earned on purpose restricted investments is recorded as net assets with donor restrictions. In addition, investment income from funds held in perpetuity, which is available for expenditure to support programs for the Diocese, is reported as income in these purpose restricted funds.

In accordance with donor agreements, realized and unrealized gains are allocated in part to net assets restricted in perpetuity to provide for inflationary growth of the funds. In addition, the agreements provide for realized and unrealized investment losses to be deducted from net assets restricted in perpetuity. In such cases, the Diocese's intent and understanding with donors is to restore any losses with future gains.

\* The Diocese completed its construction of the Terra Sancta facility during the fiscal year ended June 30, 2015. As such, the purpose restriction of these net assets had been met. However, a time restriction still exists for the remaining promises to give under the capital campaign (Note 2). Accordingly, amounts were released to the extent of balances remaining on the net promises to give as of June 30, 2019.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018**

**(9) Endowment Funds**

The Finance Council has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as net assets with donor restrictions for perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is considered donor restricted until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by state law.

No board designated endowment funds exist at June 30, 2019 or 2018. Changes in donor-restricted endowment net assets for the years ended June 30, 2019 and 2018, are as follows:

	<b>With Donor Restrictions</b>		
	Time/Purpose	Perpetuity	Totals
Endowment, Net Assets - June 30, 2017	\$ 35,681	\$ 2,241,372	\$ 2,277,053
Investment Return, Net	56,305	43,149	99,454
Contributions	-	29,471	29,471
<u>Appropriation for Expenditure</u>	<u>(12,140)</u>	<u>-</u>	<u>(12,140)</u>
Endowment, Net Assets - June 30, 2018	79,846	2,313,992	\$ 2,393,838
Investment Return, Net	52,729	110,066	162,795
Contributions	-	2,462	2,462
<u>Appropriation for Expenditure</u>	<u>(19,122)</u>	<u>-</u>	<u>(19,122)</u>
<b>Endowment, Net Assets - June 30, 2019</b>	<b>\$ 113,453</b>	<b>\$ 2,426,520</b>	<b>\$ 2,539,973</b>

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable growth for its endowment. The Finance Council has approved an allocation of investment return that includes allocating unrealized and realized gains/losses to net assets restricted in perpetuity. The current long-term return objective is to achieve a moderate rate of return; however, actual returns in any given year may vary. The investment policy attempts to achieve this goal through asset diversification, to include limits on individual securities and asset classes. The Diocese considers the following factors in determining whether to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Diocese and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Diocese.

**(10) Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three-level fair value hierarchy is defined as follows:

- Level One: observable inputs such as quoted market prices for identical assets or liabilities in active markets. The types of assets and liabilities included in Level One are highly liquid and actively traded instruments with quoted market prices.
- Level Two: inputs include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. The types of assets and liabilities included in Level Two are typically either comparable to actively traded securities or priced with models using observable inputs.
- Level Three: inputs are based on prices or valuation techniques that are unobservable. These types of assets and liabilities require significant management judgment or estimation.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018**

**(10) Fair Value Measurements (Continued)**

*Money Market:* These are valued at the exit price of \$1 per share.

*Corporate and Government Bonds:* These are valued at either the yields currently available on comparable securities of issuers with similar credit ratings or valued under a discounted cash flow approach that maximizes observable inputs such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable such as credit and liquidity risks.

*Annuities:* These are held at a life insurance company and are valued based on the underlying securities, which are comprised mostly of actively traded mutual funds.

The following table presents the assets measured at fair value on a recurring basis as of June 30, 2019 and 2018, on the accompanying Statements of Financial Position by the three-level fair value hierarchy. No other assets or liabilities are measured at fair value on a recurring or nonrecurring basis.

<b>As of June 30, 2019</b>	Level One	Level Two	Level Three	Total
<i>Money Market included in Cash Equivalents</i>	\$ 160,756	\$ -	\$ -	<b>\$ 160,756</b>
<i>Investments</i>				
<i>Bonds</i>	-	3,920,412	-	<b>3,920,412</b>
<i>Equities</i>				
Large Cap Stock	729,700	-	-	<b>729,700</b>
Mid Cap Stock	118,576	-	-	<b>118,576</b>
International Stock	634,787	-	-	<b>634,787</b>
<i>Mixed Funds</i>	178,011	-	-	<b>178,011</b>
<i>Real Estate Securities</i>	13,789	-	-	<b>13,789</b>
<i>Annuities</i>	-	517,943	-	<b>517,943</b>
<b><i>Total Investments</i></b>	<b>1,674,863</b>	<b>4,438,355</b>	<b>-</b>	<b>6,113,218</b>
As of June 30, 2018	Level One	Level Two	Level Three	Total
<i>Money Market included in Cash Equivalents</i>	\$ 205,238	\$ -	\$ -	<b>\$ 205,238</b>
<i>Investments</i>				
<i>Bonds</i>	-	3,983,496	-	<b>3,983,496</b>
<i>Equities</i>				
Large Cap Stock	1,036,512	-	-	<b>1,036,512</b>
International Stock	827,087	-	-	<b>827,087</b>
<i>Mixed Funds</i>	221,812	-	-	<b>221,812</b>
<i>Real Estate Securities</i>	15,505	-	-	<b>15,505</b>
<i>Annuities</i>	-	509,249	-	<b>509,249</b>
<b><i>Total Investments</i></b>	<b>2,100,916</b>	<b>4,492,745</b>	<b>-</b>	<b>6,593,661</b>

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018**

**(11) Defined Benefit Pension Plan**

On July 1, 2000, the Diocese became the plan sponsor for the Pension Plan for Priests of the Diocese of Rapid City (EIN 46-6028078, plan 001), a multi-employer defined benefit plan, (the Plan) administered by the Priest Retirement and Aid Association (PRAA), an unrelated not-for-profit organization. The Plan covers priests employed by individual parishes within the Diocese. The Plan is a church plan, as defined in ERISA Section 3(33) and Internal Revenue Code 414(e), and the plan sponsor has not made an election under IRC 410(d) to have the provisions applicable to non-church plans apply to this Plan. Accordingly, the Plan is exempt from filing the Form 5500, in addition to being exempt from the Pension Protection Act certified zone status requirements.

The risks of participating in this multi-employer plan are different from single-employer plans in the following aspects:

1. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

The funded status of the Plan as of June 30 is as follows:

<u>2019 – 61% Funded</u>	
Plan Assets at Fair Value	<b>\$5,254,265</b>
Projected Benefit Obligation	<b><u>8,614,819</u></b>
Projected Benefit Obligation in Excess of Plan Assets	<b>3,360,554</b>
Actuarial Present Value of Accumulated Plan Benefits	<b>\$4,691,642</b>
<u>2018 – 58% Funded</u>	
Plan Assets at Fair Value	\$4,345,921
Projected Benefit Obligation	<u>7,555,966</u>
Projected Benefit Obligation in Excess of Plan Assets	3,210,045
Actuarial Present Value of Accumulated Plan Benefits	\$4,698,303

*Assumptions*

The significant actuarial assumptions used in the valuation as of June 30, 2019 and 2018, were (a) life expectancy of participants (the RP-2014 Mortality Table projected using Mortality Improvement Scale MP-2018 was used for 2019 and the RP-2014 Mortality Table projected using Mortality Improvement Scale MP-2017 was used for 2018), (b) disability of participants (the RP-2014 Mortality Table projected using Mortality Improvement Scale MP-2018 was used for 2019 and the RP-2014 Mortality Table projected using Mortality Improvement Scale MP-2017 was used for 2018), (c) retirement age assumptions (the assumed average retirement was 100 percent of participants age 70 and 5 percent of participants ages 65 to 69), (d) investment return (assumed 7 percent per year for June 30, 2019 and 2018, compounded annually, net of investment expenses), (e) discount rate (assumed 3.34 percent and 4.02 percent for June 30, 2019 and 2018, respectively), and (f) rate of compensation increases (assumed 3 percent each year). The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the present value of accumulated plan benefits.

*Contributions*

Under the trust agreement, the Diocese has no responsibility to make contributions to the plan. No amounts were contributed by the Diocese for the year ended June 30, 2018. However, during the year ended June 30, 2019, the Diocese contributed **\$460,694** to the Plan. Management anticipates the unfunded obligation will continue to be funded by the participating parishes.

Any parish, school, institution, or agency under the jurisdiction of the Diocese, which employs a participant, is required to make contributions to the Plan. Participants are not required to contribute to the Plan. Other contributors may make additional contributions to reduce unfunded costs. The minimum funding requirement for the years ended June 30, 2019 and 2018 was **\$-0-** and \$125,697, respectively. The amount actually contributed to the Plan for the years ended June 30, 2019 and 2018 was **\$710,694** and \$250,000, respectively.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)  
JUNE 30, 2019 AND 2018**

**(11) Defined Benefit Pension Plan (Continued)**

*Estimated Future Benefit Payments*

Total benefits paid for the years ended June 30, 2019 and 2018 were **\$117,200** and \$158,340, respectively. Benefits for eligible employees are calculated as follows:

Normal Retirement Benefit: Participants with at least 30 years of total Diocesan Service as of their normal retirement date (no earlier than age 70) receive a normal retirement benefit. The benefit shall be at least equal to the current monthly salary of active priests as determined by the Diocese. The benefit was **\$2,000** and \$1,950 per month for the years ended June 30, 2019 and 2018, respectively. The benefit for the year ending June 30, 2020, will be \$2,050 per month. Participants with less than 30 years of total service receive reduced monthly benefit payments. Benefit payments cease upon death of the participant.

Early Retirement Benefit: Participants with at least 30 years of total Diocesan Service may elect to retire at age 65 and receive the monthly pension benefit reduced by 6 percent for each year the payments begin before the normal retirement date.

Disability Pension: Participants whose service ends due to total and permanent disability shall be entitled to a disability pension equal to the normal retirement benefit without regard to years of Diocesan Service.

Death: Benefit payments cease at date of participant death.

**(12) Liquidity and Availability**

The Diocese receives significant contributions and grants on an annual basis that are considered essential to meeting cash needs for general expenditures. Contributions are supplemented by fees charged for events and accounting assistance services. In addition, the Western South Dakota Catholic Foundation provides annual support. The Diocese focuses on budgeting controls and maintains adequate cash reserves. In the event of unanticipated liquidity needs, key donors and granting agencies would be contacted for assistance, the board/Bishop could undesignate funds, and cash/investment reserves could be utilized to cover shortfalls. At June 30, 2019 and 2018, the Diocese has the following financial assets available for general use within one year of the Statement of Financial Position date:

	<b>2019</b>	<b>2018</b>
Cash and Cash Equivalents	\$ 349,932	\$ 278,291
Accounts Receivable	444,821	197,006
Promises to Give	7,978,386	315,208
Promises to Give - Western SD Catholic Foundation	623,329	675,000
Investments	6,113,218	6,593,661
<b>Total Financial Assets</b>	<b>\$ 15,509,686</b>	<b>\$ 8,059,166</b>
Less Designated Funds	(7,092,442)	(1,261,674)
Less Donor-Imposed Restrictions	(4,644,245)	(4,984,509)
Less Amounts Held for Others	(2,233,558)	(215,040)
<b>Financial Assets Available for General Use Within One Year</b>	<b>\$ 1,539,441</b>	<b>\$ 1,597,943</b>