



**THE DIOCESE OF RAPID CITY**  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017



**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**

**TABLE OF CONTENTS**

	<u>PAGE</u>
Independent Auditor’s Report .....	3-4
<i>Financial Statements:</i>	
Statements of Financial Position .....	5-6
Statement of Activities and Changes in Net Assets.....	7-8
Statement of Cash Flows .....	9-10
Notes to Financial Statements .....	11-23



# 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, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the year ended June 30, 2018, 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, 2018 and 2017, and its changes in net assets and its cash flows for the year ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

The Diocese of Rapid City

---

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

We have previously audited the Diocese's 2017 financial statements, and our report dated November 21, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



KETEL THORSTENSON, LLP  
Certified Public Accountants

December 4, 2018

**THE DIOCESE OF RAPID CITY**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017**

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 10)	\$ 278,291	\$ 1,402,317
Accounts Receivable	197,006	131,802
Promise to Give - Miscellaneous	-	197,408
Promises to Give -- Annual Appeal, Less Allowance for Uncollectible Amounts of \$75,814 and \$69,658 at June 30, 2018 and 2017, Respectively (Note 2)	195,588	202,096
Promises to Give -- We Walk by Faith Appeal, Current Portion, Less Allowance for Uncollectible Amounts (Note 2)	36,671	83,371
Promises to Give -- Terra Sancta Guild, Current Portion, Less Allowance for Uncollectible Amounts (Note 2)	20,974	54,252
Grant Receivable --Western SD Catholic Foundation	675,000	500,000
Prepaid Expenses	66,469	74,994
<b>Total Current Assets</b>	<b>1,469,999</b>	<b>2,646,240</b>
<b>Property and Equipment (Note 3)</b>		
Furniture, Equipment and Vehicles	986,065	930,805
Terra Sancta Retreat Center and Improvements (Note 4)	9,736,133	9,653,619
Diocesan Buildings and Improvements	432,769	432,769
	<b>11,154,967</b>	<b>11,017,193</b>
Less Accumulated Depreciation	<b>2,138,353</b>	<b>1,905,421</b>
	<b>9,016,614</b>	<b>9,111,772</b>
Land for Future Expansion, at Cost	523,328	523,328
Land	151,765	151,765
	<b>9,691,707</b>	<b>9,786,865</b>
<b>Other Assets</b>		
Promises to Give -- We Walk by Faith Appeal, Net of Allowance, Discount and Current Portion (Note 2)	36,822	17,026
Promises to Give -- Terra Sancta Guild, Net of Allowance, Discount and Current Portion (Note 2)	25,153	36,681
Amount Held with Western SD Catholic Foundation (Note 10)	2,554	2,713
Investment -- Securities (Note 10)	6,593,661	7,165,750
Accrued Interest Receivable	23,148	22,381
Investment -- Cash Surrender Value of Life Insurance	85,840	86,518
Investment -- SM Properties, LLC (Note 4)	563,227	563,707
Promise to Give -- Debt Guarantee (Note 4)	-	20,372
	<b>7,330,405</b>	<b>7,915,148</b>
<b>TOTAL ASSETS</b>	<b>\$ 18,492,111</b>	<b>\$ 20,348,253</b>

The accompanying notes are an integral part of these statements.

<b>LIABILITIES AND NET ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>Current Liabilities</b>		
Current Maturities of Long-Term Debt (Note 4)	\$ 41,140	\$ 153,810
Accounts Payable and Accrued Liabilities	236,017	328,785
Accrued Payroll	18,113	76,240
Grants and Contributions Held for Others (Note 5)	30,645	57,792
Amounts Held for Others -- We Walk by Faith Appeal (Note 2)	145	17,383
Amounts Held for Others -- Guild Appeal (Note 2)	40	8,478
Amounts Held for Others -- Miscellaneous	214,855	676,294
<b>Total Current Liabilities</b>	<b>540,955</b>	<b>1,318,782</b>
 <b>Long-term Liabilities</b>		
Long-Term Debt, Less Current Maturities (Note 4)	82,290	1,443,929
Guarantee Liability (Note 4)	15,999	25,088
<b>Total Long-term Liabilities</b>	<b>98,289</b>	<b>1,469,017</b>
 <b>Commitments</b> (Notes 3, 4, 12 and 13)		
 <b>Net Assets</b>		
<i>Donor Restricted:</i>		
Permanently Restricted (Notes 8 and 9)	2,313,992	2,241,372
Temporarily Restricted (Notes 8 and 9)	2,670,517	2,599,652
<b>Total Donor Restricted</b>	<b>4,984,509</b>	<b>4,841,024</b>
 <i>Unrestricted:</i>		
Designated (Note 7)	1,261,674	1,852,232
Undesignated	11,606,684	10,867,198
<b>Total Unrestricted</b>	<b>12,868,358</b>	<b>12,719,430</b>
 <b>Total Net Assets</b>	 <b>17,852,867</b>	 <b>17,560,454</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 18,492,111</b>	 <b>\$ 20,348,253</b>

**THE DIOCESE OF RAPID CITY**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2018**

	-----For the Year Ended June 30, 2018-----				For the Year Ended June 30, 2017 Memorandum Only Total (Note 1)
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Support and Revenues</b>					
Annual Appeal	\$ 1,506,485	\$ -	\$ -	\$ 1,506,485	\$ 1,380,503
Western SD Catholic Foundation Grant	-	1,175,000	-	1,175,000	500,000
Gifts and Bequests	364,109	162,001	3,016	529,126	957,143
Investment Income	146,583	170,617	43,149	360,349	659,079
Programs	320,631	7,795	-	328,426	277,842
Contract Service Income	245,128	-	-	245,128	219,999
Terra Sancta Retreat Center	165,226	-	-	165,226	198,558
Adopt A Seminarian Appeal	-	153,249	-	153,249	190,785
Terra Sancta Guild (Note 2)	72,633	22,032	26,455	121,120	211,953
Catholic Extension Society Grants	-	83,182	-	83,182	94,207
Committee on Home Missions	-	70,000	-	70,000	75,000
Mission Coop Program	62,432	-	-	62,432	39,592
Other Grants	8,019	43,000	-	51,019	37,079
Parish Assessments	43,073	-	-	43,073	41,888
Black and Indian Mission Office	-	20,000	-	20,000	24,000
We Walk By Faith Appeal (Note 2)	-	6,994	-	6,994	11,645
SM Properties LLC Investment Loss	(691)	-	-	(691)	(691)
Net Assets Released from Restriction	1,843,005	(1,843,005)	-	-	-
<b>Total Support and Revenues</b>	<b>4,776,633</b>	<b>70,865</b>	<b>72,620</b>	<b>4,920,118</b>	<b>4,918,582</b>
<b>Expenses (Notes 6 and 11)</b>					
Terra Sancta Retreat Center	961,140	-	-	961,140	913,861
Development Office (Note 13)	625,964	-	-	625,964	289,341
Vocations	487,154	-	-	487,154	492,838
Administration	427,493	-	-	427,493	378,943
West River Catholic	276,740	-	-	276,740	270,217
Programs	265,195	-	-	265,195	384,313
Gifts and Donations	235,607	-	-	235,607	104,683
Youth	220,094	-	-	220,094	133,589
Faith Formation	199,646	-	-	199,646	157,206
Family Life	147,395	-	-	147,395	118,172
Tribunal	123,161	-	-	123,161	136,708
Catholic Social Services	115,000	-	-	115,000	115,000
Ministry Formation	109,497	-	-	109,497	103,847
Native Ministries	94,505	-	-	94,505	113,388
Communications	91,160	-	-	91,160	102,316
Safe Environment	51,497	-	-	51,497	56,370
RCCS Schools	50,000	-	-	50,000	50,000
We Walk by Faith Contributions (Note 2)	42,284	-	-	42,284	30,000
Loan Interest - Fundraising	33,103	-	-	33,103	53,001
Investment Fees	26,704	-	-	26,704	23,896
Priest Education	19,075	-	-	19,075	21,924
USCC and Holy Father Dues	10,195	-	-	10,195	20,304
Office of Worship	3,813	-	-	3,813	2,202
<b>Total Expenses</b>	<b>4,616,422</b>	<b>-</b>	<b>-</b>	<b>4,616,422</b>	<b>4,072,119</b>
<b>Increase In Net Assets Before</b>					
<b>Other Income (Expense)</b>	<b>160,211</b>	<b>70,865</b>	<b>72,620</b>	<b>303,696</b>	<b>846,463</b>

THE DIOCESE OF RAPID CITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2018

	-----For the Year Ended June 30, 2018-----				For the Year Ended June 30, 2017 Memorandum Only Total (Note 1)
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Other Income (Expense)</b>					
Contribution Revenue - Change in Fair Value of Debt Guarantee for Unrelated Party (Note 4)	9,089	-	-	<b>9,089</b>	9,870
Contribution Expense - Change in Fair Value of Debt Guarantee Received from Unrelated Party (Note 4)	(20,372)	-	-	<b>(20,372)</b>	(8,136)
<b>Total Other Income (Expense)</b>	<b>(11,283)</b>	<b>-</b>	<b>-</b>	<b>(11,283)</b>	<b>1,734</b>
<b>Increase in Net Assets</b>	<b>148,928</b>	<b>70,865</b>	<b>72,620</b>	<b>292,413</b>	<b>848,197</b>
Net Assets - Beginning of Year	12,719,430	2,599,652	2,241,372	<b>17,560,454</b>	16,712,257
<b>Net Assets -- End of Year</b>	<b>\$12,868,358</b>	<b>\$ 2,670,517</b>	<b>\$ 2,313,992</b>	<b>\$ 17,852,867</b>	<b>\$ 17,560,454</b>

The accompanying notes are an integral part of this statement.

**THE DIOCESE OF RAPID CITY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Cash Flows from Operating Activities**

Increase in Net Assets	\$ 292,413
<i>Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities:</i>	
Depreciation	242,432
Non-Cash Earnings in SM Properties, LLC	480
Non-Cash Change in Fair Value of Promise to Give - Debt Guarantee	20,372
Non-Cash Change in Fair Value of Guarantee Liability	(9,089)
Gain on Sale of Property and Equipment	(5,000)
Net Realized and Unrealized Gain on Investments	(205,925)
Net Realized and Unrealized Loss on Amounts Held for Others Included in Investments	10,975
Net Realized and Unrealized Loss on Amount Held by Foundation	159
Donated Investments	(17,284)
Provisions for Uncollectible Promises to Give	2,477
Net Change of Present Value Discount	(7,735)
Contributions Restricted for Long-Term Purposes	(117,352)
<i>Working Capital Changes Increasing (Decreasing) Cash and Cash Equivalents:</i>	
Accounts Receivable	(65,204)
Promises to Give -- Miscellaneous	197,408
Promises to Give -- Annual Appeal	6,508
Grant Receivable -- Western SD Catholic Foundation	(175,000)
Prepaid Expenses	8,525
Accrued Interest Receivable	(767)
Accounts Payable and Accrued Liabilities	(92,768)
Accrued Payroll	(58,127)
Grants and Contributions Held for Others	(27,147)
Amounts Held for Others -- We Walk by Faith Appeal	(17,238)
Amounts Held for Others -- Guild Appeal	(8,438)
Amounts Held for Others -- Miscellaneous	(461,439)
<b>Net Cash Flows Used in Operating Activities</b>	<b>(486,764)</b>

**Cash Flows from Investing Activities**

Purchases of Property and Equipment	(147,274)
Proceeds from Sale of Property and Equipment	5,000
Cash Surrender Value of Life Insurance	678
Proceeds from Sale of Investments	2,696,434
Purchases of Investments	(1,912,111)
<b>Net Cash Flows Provided by Investing Activities</b>	<b>642,727</b>

**THE DIOCESE OF RAPID CITY**

**STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2018**

**Cash Flows From Financing Activities**

Repayments of Long Term Debt	(1,474,309)
Collections of Contributions Restricted for Long-Term Purposes	194,320
<b>Net Cash Flows Used in Financing Activities</b>	<b>(1,279,989)</b>

**Decrease in Cash and Cash Equivalents** (1,124,026)

Cash and Cash Equivalents -- Beginning of Year 1,402,317

**Cash and Cash Equivalents -- End of Year** \$ **278,291**

**Supplemental Disclosure of Cash Flow Information**

Cash Payments for Interest (Notes 4 and 7) \$ **33,103**

The accompanying notes are an integral part of this statement.

## **THE DIOCESE OF RAPID CITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017**

#### **(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. In addition, the Diocese operates the Terra Sancta Retreat Center, which includes lodging arrangements and facility use for workshops, retreats and conferences. 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.

##### **Summary of Significant Accounting Policies**

###### **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.

###### **Basis of Accounting**

The financial statements of the Diocese are prepared on the accrual basis of accounting.

###### **Financial Statement Presentation**

The Diocese reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

###### **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.

###### **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, 2018, 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.

###### **Contributions and Promises to Give**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Unconditional promises to give are recognized as assets and revenues in the period pledged. 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.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017**

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

**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, an unrelated entity, each owns 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.

**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 2018 or 2017 based on management's analysis.

**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. Investments are presented in the financial statements at the quoted market value of the securities. Management's policy is to charge all gains and losses against the three classes of net assets according to the donor's restrictions or the Finance Council's designations. According to donor stipulation, investment income earned on permanently and temporarily restricted investments is recorded as temporarily restricted until such time as the restriction is met.

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, 2018.

**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.

## THE DIOCESE OF RAPID CITY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2018 AND 2017

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

##### 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, 2018 and 2017.

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.

##### 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, 2018, the Diocese believes no significant uncertain tax positions or liabilities exist.

##### Memorandum Only Total

The June 30, 2017, 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, 2017 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. Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation, with no effect on previously reported net assets.

##### 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 August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to provide more useful information to financial statement users. Changes include: 1) presenting only two classes of net assets (with and without donor restrictions), 2) no longer requiring a reconciliation with the indirect method when choosing to utilize the direct method of cash flows, 3) reporting investment return net of expenses with no additional disclosure of expense amounts, and 4) eliminating the option to release donor-imposed restrictions of long-lived assets over the estimated useful life of the asset acquired. In addition, enhanced disclosures are required for board designated and donor restricted net assets, the entity's liquidity and how that liquidity is managed, expenses by both natural and functional classification, the allocation methods among program and support functions, and underwater endowment funds (which will now be classified as net assets with donor restrictions). The standard is effective for fiscal years beginning after December 15, 2017. The Diocese is currently evaluating the impact this standard will have on the financial statements.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017**

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

**Emerging Accounting Pronouncements (Continued)**

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.

In August 2018, the FASB issued ASU 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements*, which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements, and is effective for years 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 December 4, 2018, the date which the financial statements were available to be issued.

**(2) Promises to Give – Long Term**

*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 **\$217,400** were made during the year ended June 30, 2018.

*We Walk by Faith Appeal*

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 St. Elizabeth Seton Central Catholic Corporation (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). At June 30, remaining unconditional promises to give were as follows:

	<b>2018</b>	2017
Due in less than one year	\$ <b>51,588</b>	\$ 340,384
Due in one to five years	<b>51,800</b>	80,851
Due in over five years	-	17,750
	<b>103,388</b>	438,985
Present Value Discount - 2.5%	-	(7,124)
Allowance for Uncollectible Amounts	<b>(29,895)</b>	(331,464)
<b>Net Promises to Give</b>	<b>\$ 73,493</b>	<b>\$ 100,397</b>

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017**

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

*We Walk by Faith Appeal (Continued)*

Any general campaign funds received for the project as a whole, rather than for one of the three capital appeals, will be allocated to the Diocese, the School and campus ministries at the discretion of the Diocese’s management. Accordingly, these amounts are considered revenue of the Diocese. During the year ended June 30, 2018, the Diocese contributed **\$42,284** to campus ministries out of these general funds. In making the decision, management considered the total pledges received, net cash inflows and the future projected cash outflows for each separate capital project as of June 30, 2018.

As of June 30, 2018, the Diocese has received conditional promises to give of approximately **\$1,522,000** 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.

Balances of promises to give (before applying the discount rate) from members of the Finance Council and employees of the Diocese totaled **\$1,000** and \$12,400 at June 30, 2018 and 2017, respectively.

*Terra Sancta Guild*

The Diocese is conducting an ongoing campaign to support general Diocesan operations. 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 are not revenues of the Diocese. In addition, unless otherwise specified by the donor, 20% of all promises to give are added to permanently restricted endowment funds (Notes 8 and 9). At June 30, remaining unconditional promises to give were as follows:

	<b>2018</b>	2017
Due in less than one year	\$ <b>26,827</b>	\$ 60,615
Due in one to five years	<b>33,848</b>	43,130
	<b>60,675</b>	103,745
Present Value Discount - 2.5%	<b>(1,310)</b>	(1,921)
Allowance for Uncollectible Amounts	<b>(13,238)</b>	(10,891)
<b>Net Promises to Give</b>	<b>\$ 46,127</b>	\$ 90,933

Balances of promises to give (before applying the discount rate) from members of the Finance Council and employees of the Diocese totaled **\$12,420** and \$31,000 at June 30, 2018 and 2017, respectively.

**(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, 2018 AND 2017**

**(4) Debt Agreements**

Long-term debt consists of the following at June 30:	<b>2018</b>	2017
Note payable to US Bank. *	\$ -	\$ 1,433,169
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>123,430</b>	164,570
	<b>123,430</b>	1,597,739
Less Current Maturities	<b>41,140</b>	153,810
	<b>\$ 82,290</b>	\$ 1,443,929

\* 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 note was refinanced in 2015, and was due in monthly installments of \$13,444, including interest at 3.5 percent. The debt was paid in full during the year ended June 30, 2018 after receiving contributions restricted for debt repayment.

As noted above, the School had guaranteed the US Bank debt of the Diocese and was obligated to perform under this guarantee if the Diocese failed to pay principal and interest payments to the lender when due. Because the Diocese received a benefit for this guarantee, in accordance with generally accepted accounting principles, the Diocese recognized a promise to give of \$20,372 at June 30, 2017, which represented the fair value of the incremental interest rate benefit with the guarantee arrangement.

In addition, the Diocese has guaranteed US Bank debt of the School. The terms of this debt are identical to that of 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 **\$1,623,433** at June 30, 2018. 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 **\$15,999** and \$25,088 at June 30, 2018 and 2017, 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:

2019	\$ 41,140
2020	41,140
2021	41,150
	<b>\$ 123,430</b>

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017**

**(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>2018</u>	<u>2017</u>
Black and Indian Mission Office	<b>\$176,065</b>	\$96,000
Catholic Extension Society	<b>47,875</b>	78,934
Koch Foundation	<b>10,000</b>	-

**(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 **\$43,004** were made during the year ended June 30, 2018.

**(7) Designated Net Assets**

Unrestricted net assets represent resources over which the Finance Council has advisory control. Included in unrestricted net assets at June 30 are designations for the following:

	<u>2018</u>	<u>2017</u>
Facility Fund	<b>\$ 456,107</b>	\$ 436,510
Administrative Fund	<b>423,375</b>	735,682
Future Debt Payments	<b>152,221</b>	242,968
Bishop's Mission Fund	<b>138,176</b>	175,362
Bishop's Retirement Fund	<b>62,646</b>	56,644
Terra Sancta Guild	<b>29,149</b>	75,936
Future Needs Fund	<b>-</b>	129,130
	<b>\$ 1,261,674</b>	<b>\$ 1,852,232</b>

**(8) Restrictions on Net Assets**

Permanently restricted net assets 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>2018</u>	<u>2017</u>
Seminary Burse Fund	<b>\$ 1,927,753</b>	\$ 1,876,706
Terra Sancta Guild	<b>154,670</b>	130,587
Travel Trust	<b>146,866</b>	148,471
Bishop Residence	<b>84,703</b>	85,608
	<b>\$ 2,313,992</b>	<b>\$ 2,241,372</b>

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017**

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

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Priest Education	\$ 446,934	\$ 443,920
Priest Retirement	418,287	400,605
Adopt a Seminarian	386,290	442,507
Western SD Catholic Foundation - Operations	350,000	210,000
Bishop's Overseas Fund	305,328	292,417
Native American Ministries	199,179	283,532
Foreign Mission	157,647	152,457
Terra Sancta Retreat Operations	127,130	95,980
We Walk By Faith Appeal -- General Project Needs (Note 2) *	71,272	111,050
Seminary Burse Fund (Note 9)	64,488	28,384
Leichtnam Memorial Trust	34,180	37,529
Theology Education	31,781	30,438
Diocese Priest Retirement	28,226	19,915
St. Francis Fund	11,654	6,144
Terra Sancta Guild (Notes 2 and 9)	11,372	4,141
Lay Ministry - Association	10,191	8,288
Travel Trust (Note 9)	3,949	3,153
Family Life	3,640	3,487
National Pastoral Musician	2,354	1,338
Bishop's Admin Charity Fund	1,772	13,797
Campaign for Human Development	1,727	3,023
Hispanic Ministry Fund	1,024	3,168
Lay Ministry - Education	1,483	1,421
Rachel's Vineyard	572	548
Bishop Residence (Note 9)	37	-
We Walk by Faith Appeal -- Diocese Retreat Center (Note 2) *	-	1,568
Development Fundraising	-	423
Orphans	-	419
	<u>\$ 2,670,517</u>	<u>\$ 2,599,652</u>

Substantially all investment income earned on temporarily restricted investments is recorded in temporarily restricted net assets. In addition, investment income from permanently restricted funds, which is available for expenditure to support programs for the Diocese, is reported as income in these temporarily restricted funds.

In accordance with donor agreements, realized and unrealized gains are allocated in part to the permanently restricted funds to provide for inflationary growth of the funds. In addition, the agreements provide for realized and unrealized investment losses to be deducted pro-ratably from amounts held in the permanent funds. 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, the We Walk by Faith – Diocese Retreat Center temporarily restricted net assets were released to the extent of balances remaining on the net promises to give as of June 30, 2018.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017**

**(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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets 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, 2018 or 2017. Changes in donor-restricted endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment, Net Assets - June 30, 2016	\$ 34,499	\$ 1,799,028	\$ 1,833,527
Investment Income, Net of Fees \$6,854	33,250	-	33,250
Net Appreciation (Realized and Unrealized)	6,049	140,023	146,072
Contributions	-	302,321	302,321
Appropriation for Expenditure	(38,117)	-	(38,117)
Endowment, Net Assets - June 30, 2017	\$ 35,681	\$ 2,241,372	\$ 2,277,053
Investment Income, Net of Fees \$9,041	43,035	-	43,035
Net Appreciation (Realized and Unrealized)	13,270	43,149	56,419
Contributions	-	29,471	29,471
Appropriation for Expenditure	(12,140)	-	(12,140)
<b>Endowment, Net Assets - June 30, 2018</b>	<b>\$ 79,846</b>	<b>\$ 2,313,992</b>	<b>\$ 2,393,838</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 earnings/losses. Investment income, net of fees, are allocated to temporarily restricted net assets while unrealized and realized gains/losses are allocated to permanently restricted net assets. 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.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017**

**(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.

*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, 2018 and 2017, 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. No unfunded commitments remain for any investments, and no redemption requirements exist.

<b>As of June 30, 2018</b>	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>
<i>Total Investments</i>	2,100,916	4,492,745	-	<b>6,593,661</b>
<i>Amount Held with Western SD Catholic Fdtm</i>	-	-	2,554	<b>2,554</b>
<b>Total</b>	<b>\$ 2,306,154</b>	<b>\$ 4,492,745</b>	<b>\$ 2,554</b>	<b>\$ 6,801,453</b>

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017**

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

As of June 30, 2017	Level One	Level Two	Level Three	Total
<i>Money Market included in Cash Equivalents</i>	\$ 871,751	\$ -	\$ -	\$ 871,751
<i>Investments</i>				
<i>Bonds</i>	-	4,027,979	-	4,027,979
<i>Equities</i>				
Large Cap Stock	1,309,524	-	-	1,309,524
Mid-Cap Stock	1,042,622	-	-	1,042,622
International Stock	281,852	-	-	281,852
Small Cap Stock	23,603	-	-	23,603
<i>Annuities</i>	-	480,170	-	480,170
<i>Total Investments</i>	2,657,601	4,508,149	-	7,165,750
<i>Amount Held with Western SD Catholic Fdm</i>	-	-	2,713	2,713
<b>Total</b>	<b>\$ 3,529,352</b>	<b>\$ 4,508,149</b>	<b>\$ 2,713</b>	<b>\$ 8,040,214</b>

*Amount Held with Western SD Catholic Foundation:* The amount held with Western SD Catholic Foundation (the Foundation) results from charitable gift annuities purchased through the Foundation as pledge payments for the We Walk by Faith capital appeal (Note 2). The annuities are subject to the investment policies of the Foundation, which attempt to provide predictable growth through pooling and investing of many different annuities and endowment funds. As such, the annuities have been valued, as a practical expedient, at the fair value of the Diocese's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which include securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. These annuities will be redeemed at the time of the annuitant's death.

The change in fair value for Level Three investments is as follows:

Balance - June 30, 2016	\$ 2,529
Net Realized and Unrealized Gain	184
Balance - June 30, 2017	2,713
Net Realized and Unrealized Loss	(159)
<b>Balance - June 30, 2018</b>	<b>\$ 2,554</b>

**(11) Functional Expenses**

Certain costs have been allocated on a functional basis among the programs and supporting services benefited as follows:

	2018	2017
Program	\$ 3,453,468	\$ 3,299,988
Fundraising	735,461	393,188
Administrative	427,493	378,943
	<b>\$ 4,616,422</b>	<b>\$ 4,072,119</b>

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017**

**(12) 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>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
<u>2017 – 51% Funded</u>	
Plan Assets at Fair Value	\$ 4,022,641
Projected Benefit Obligation	<u>7,817,279</u>
Projected Benefit Obligation in Excess of Plan Assets	3,794,638
Actuarial Present Value of Accumulated Plan Benefits	\$ 4,527,153

*Assumptions*

The significant actuarial assumptions used in the valuation as of June 30, 2018 and 2017, were (a) life expectancy of participants (the RP-2014 Mortality Table was used for 2018 and 2017), (b) disability of participants (the RP-2014 Mortality Table was used for 2018 and 2017), (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, 2018 and 2017, compounded annually, net of investment expenses), (e) discount rate (assumed 4.02 percent and 3.67 percent for June 30, 2018 and 2017, 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. As such, no amounts were contributed by the Diocese for the years ended June 30, 2018 and 2017. 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, 2018 and 2017 was \$125,697 and \$166,451, respectively. The amount actually contributed to the Plan for each of the years ended June 30, 2018 and 2017 was \$250,000.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)  
JUNE 30, 2018 AND 2017**

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

*Estimated Future Benefit Payments*

Total benefits paid for the years ended June 30, 2018 and 2017 were **\$158,340** and \$154,603, 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 **\$1,950** and \$1,890 per month for the years ended June 30, 2018 and 2017, respectively. The benefit for the year ending June 30, 2019, will be \$2,000 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.

**(13) Commitment**

Management is preparing for a capital campaign. The Diocese entered into an agreement with an outside consultant to provide capital campaign fundraising services. The contract totals \$888,000 for the period February 5, 2018 through December 28, 2018. Total expenses under this contract for the year ended June 30, 2018 were **\$222,000**.