

**THE DIOCESE OF RAPID CITY**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020



**Ketel Thorstenson, LLP**

Certified Public Accountants/Business & Personal Consultants

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**THE DIOCESE OF RAPID CITY**

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## INDEPENDENT AUDITOR'S REPORT

Bishop Peter Muhich 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, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, 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, 2021 and 2020, and its changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink that reads "Ketel Thorstenson, LLP".

KETEL THORSTENSON, LLP  
Certified Public Accountants

November 12, 2021

**THE DIOCESE OF RAPID CITY**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020**

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 10)	\$ 718,069	\$ 1,249,089
Accounts Receivable	106,743	132,398
Promises to Give- Grants	114,500	-
Promises to Give -- Annual Appeal, Less Allowance for Uncollectible Amounts of \$66,509 and \$70,253 at June 30, 2021 and 2020, Respectively (Note 2)	114,219	170,566
Promises to Give -- Other Appeal, Current Portion, Less Allowance for Uncollectible Amounts (Note 2)	10,000	33,501
Promises to Give -- Living the Mission Appeal, Current Portion, Less Allowance for Uncollectible Amounts (Note 2)	1,641,003	1,740,825
Promise to Give --Western SD Catholic Foundation	411,304	381,361
Prepaid Expenses	80,515	77,194
<b>Total Current Assets</b>	<b>3,196,353</b>	<b>3,784,934</b>
<b>Property and Equipment (Note 3)</b>		
Furniture, Equipment and Vehicles	1,158,389	1,084,954
Terra Sancta Retreat Center and Improvements	9,858,719	9,810,353
Diocesan Buildings and Improvements (Note 4)	6,934,775	6,886,329
	<b>17,951,883</b>	<b>17,781,636</b>
Less Accumulated Depreciation	<b>2,948,691</b>	<b>2,462,128</b>
	<b>15,003,192</b>	<b>15,319,508</b>
Land for Future Expansion, at Cost	523,328	523,328
Land	151,765	151,765
	<b>15,678,285</b>	<b>15,994,601</b>
<b>Other Assets</b>		
Promises to Give -- Other Appeal, Net of Allowance, Discount and Current Portion (Note 2)	30,000	16,499
Promises to Give -- Living the Mission Appeal, Net of Allowance, Discount and Current Portion (Note 2)	3,064,508	4,644,683
Other Assets	-	2,348
Investment -- Securities (Notes 4 and 10)	7,191,067	5,236,494
Accrued Interest Receivable	17,061	14,139
Investment -- Cash Surrender Value of Life Insurance	79,644	80,024
Investment -- SM Properties, LLC	511,847	512,570
	<b>10,894,127</b>	<b>10,506,757</b>
<b>TOTAL ASSETS</b>	<b>\$ 29,768,765</b>	<b>\$ 30,286,292</b>

The accompanying notes are an integral part of these statements.

<b>LIABILITIES AND NET ASSETS</b>	<b>2021</b>	<b>2020</b>
<b>Current Liabilities</b>		
Current Maturities of Long-Term Debt (Note 4)	\$ 125,109	\$ 115,691
Line of Credit (Note 4)	-	252,000
Accounts Payable	133,093	37,287
Accrued Payroll	100,967	13,967
Other Accrued Liabilities	262,111	95,652
Grants and Contributions Held for Others (Note 5)	83,835	27,688
Amounts Held for Others -- Other Appeals	50	6,510
Amounts Held for Others -- Miscellaneous	227,881	216,063
Grants Payable -- Living the Mission (Note 2)	2,924,495	2,526,348
Refundable Advance (Note 13)	426,192	392,605
<b>Total Current Liabilities</b>	<b>4,283,733</b>	<b>3,683,811</b>
<b>Long-term Liabilities</b>		
Long-Term Debt, Less Current Maturities (Note 4)	1,894,495	3,045,828
Line of Credit (Note 4)	1,135,229	1,119,521
	<b>3,029,724</b>	<b>4,165,349</b>
 <b>Commitments</b> (Notes 3 and 11)		
 <b>Net Assets</b>		
<i>With Donor Restrictions:</i> (Notes 8 and 9)		
Restricted in Perpetuity	3,018,727	2,480,750
Purpose/Time Restrictions	2,289,661	1,995,004
<b>Total Net Assets with Donor Restrictions</b>	<b>5,308,388</b>	<b>4,475,754</b>
<i>Without Donor Restrictions:</i>		
Designated (Note 7)	6,563,406	7,000,033
Undesignated	10,583,514	10,961,345
<b>Total Net Assets without Donor Restrictions</b>	<b>17,146,920</b>	<b>17,961,378</b>
<b>Total Net Assets</b>	<b>22,455,308</b>	<b>22,437,132</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 29,768,765</b>	 <b>\$ 30,286,292</b>

**THE DIOCESE OF RAPID CITY**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>			
Annual Appeal Contributions (Note 2)	\$ 1,389,776	\$ -	\$ 1,389,776
Investment Return, Net	437,499	942,727	1,380,226
Other Grants (Note 13)	392,605	33,750	426,355
Western SD Catholic Foundation Grant	-	411,257	411,257
Contract Services	246,661	-	246,661
Terra Sancta Retreat Center Fees	225,181	-	225,181
Programs	163,891	-	163,891
Adopt A Seminarian Appeal Contributions	-	172,720	172,720
Gifts and Bequests	140,849	61,100	201,949
Catholic Extension Society Grants	-	117,500	117,500
Living the Mission Appeal Contributions (Note 2)	49,629	-	49,629
Parish Contributions	41,242	-	41,242
Committee on Home Missions Grants	-	40,000	40,000
Black and Indian Mission Office Grants	-	20,000	20,000
Mission Coop Program Contributions	8,336	-	8,336
We Walk By Faith Appeal Contributions (Note 2)	-	6,774	6,774
SM Properties LLC Investment Loss	(723)	-	(723)
Net Assets Released from Restriction	973,194	(973,194)	-
<b>Total Support and Revenues</b>	<b>4,068,140</b>	<b>832,634</b>	<b>4,900,774</b>
<b>Expenses</b>			
Program Services	3,620,667	-	3,620,667
Management and General	936,038	-	936,038
Fundraising	325,893	-	325,893
<b>Total Expenses</b>	<b>4,882,598</b>	<b>-</b>	<b>4,882,598</b>
<b>Change in Net Assets</b>	<b>(814,458)</b>	<b>832,634</b>	<b>18,176</b>
Net Assets - Beginning of Year	17,961,378	4,475,754	22,437,132
<b>Net Assets -- End of Year</b>	<b>\$ 17,146,920</b>	<b>\$ 5,308,388</b>	<b>\$ 22,455,308</b>

The accompanying notes are an integral part of this statement.

**THE DIOCESE OF RAPID CITY**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>			
Annual Appeal Contributions (Note 2)	\$ 1,423,087	\$ -	\$ 1,423,087
Investment Return, Net	10,575	164,557	175,132
Other Grants	-	77,500	77,500
Western SD Catholic Foundation Grant	-	381,361	381,361
Contract Services	209,550	-	209,550
Terra Sancta Retreat Center Fees	155,074	-	155,074
Programs	169,025	3,355	172,380
Adopt A Seminarian Appeal Contributions	-	119,344	119,344
Gifts and Bequests	114,933	58,460	173,393
Catholic Extension Society Grants	-	74,176	74,176
Living the Mission Appeal (Note 2)	700,975	-	700,975
Parish Contributions	40,808	-	40,808
Committee on Home Missions Grants	-	50,000	50,000
Black and Indian Mission Office Grants	-	24,000	24,000
Mission Coop Program Contributions	24,282	-	24,282
We Walk By Faith Appeal Contributions (Note 2)	-	17,955	17,955
SM Properties LLC Investment Loss	(271)	-	(271)
Loss on the Sale of Property	(4,785)	-	(4,785)
Net Assets Released from Restriction	1,139,199	(1,139,199)	-
<b>Total Support and Revenues</b>	<b>3,982,452</b>	<b>(168,491)</b>	<b>3,813,961</b>
<b>Expenses</b>			
Program Services	3,416,131	-	3,416,131
Management and General	757,055	-	757,055
Fundraising	355,049	-	355,049
<b>Total Expenses</b>	<b>4,528,235</b>	<b>-</b>	<b>4,528,235</b>
<b>Change In Net Assets Before Other Income</b>	<b>(545,783)</b>	<b>(168,491)</b>	<b>(714,274)</b>
<b>Other Income</b>			
Contribution Revenue - Change in Fair Value of Debt Guarantee for Unrelated Party (Note 4)	7,759	-	7,759
<b>Total Other Income</b>	<b>7,759</b>	<b>-</b>	<b>7,759</b>
<b>Change in Net Assets</b>	<b>(538,024)</b>	<b>(168,491)</b>	<b>(706,515)</b>
Net Assets - Beginning of Year	18,499,402	4,644,245	23,143,647
<b>Net Assets -- End of Year</b>	<b>\$ 17,961,378</b>	<b>\$ 4,475,754</b>	<b>\$ 22,437,132</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, 2021**

	<b>PROGRAM SERVICES</b>			
	Evangelization and Outreach	Seminarian and Clergy	Other	Total Program
Salaries and Wages	\$ 852,713	\$ 105,519	\$ 92,961	\$ 1,051,193
Grants and Assistance	68,912	56,913	360,424	486,249
Depreciation	287,006	24,854	63,450	375,310
Grants and Assistance - Parishes and RCCSS (Note 2)	-	-	398,147	398,147
Employee Benefits (Note 6)	134,332	70,906	35,170	240,408
Training and Development	8,655	288,609	-	297,264
Occupancy	133,695	8,632	24,247	166,574
Conferences, Conventions and Meetings	67,542	45,063	30,658	143,263
Interest	-	-	-	-
Retreat Center Food and Supplies	122,022	-	-	122,022
Payroll Taxes	64,664	9,974	5,029	79,667
Office Expenses	57,376	20,403	14,134	91,913
Contract Services	-	-	974	974
Information Technology	24,476	6,987	16,763	48,226
Insurance	34,946	1,772	4,772	41,490
Travel	7,518	7,779	8,557	23,854
Legal Fees	8,440	2,585	7,261	18,286
Professional Services	11,236	30	5,274	16,540
Accounting Fees	2,324	2,324	1,162	5,810
Other	4,154	1,919	3,313	9,386
Advertising and Promotion	4,061	8	22	4,091
<b>Total Expenses</b>	<b>\$ 1,894,072</b>	<b>\$ 654,277</b>	<b>\$ 1,072,318</b>	<b>\$ 3,620,667</b>

The accompanying notes are an integral part of this statement.



**SUPPORTING SERVICES**

<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
\$ 435,920	\$ 136,760	\$ 1,623,873
351	97	486,697
77,735	33,518	486,563
-	-	398,147
119,338	15,747	375,493
-	-	297,264
29,705	8,252	204,531
3,562	256	147,081
144,161	-	144,161
-	-	122,022
29,291	10,280	119,238
20,641	5,657	118,211
4,356	82,883	88,213
21,122	5,836	75,184
6,343	1,623	49,456
14,002	1,976	39,832
8,896	2,471	29,653
874	11,547	28,961
16,271	1,162	23,243
3,444	954	13,784
26	6,874	10,991
<b>\$ 936,038</b>	<b>\$ 325,893</b>	<b>\$ 4,882,598</b>

**THE DIOCESE OF RAPID CITY**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>PROGRAM SERVICES</b>			
	Evangelization and Outreach	Seminarian and Clergy	Other	Total Program
Salaries and Wages	\$ 912,046	\$ 105,367	\$ 110,183	\$ 1,127,596
Grants and Assistance	66,344	25,849	253,396	345,589
Depreciation	209,325	2,718	11,591	223,634
Grants and Assistance - Parishes and RCCSS (Note 2)	-	-	508,062	508,062
Employee Benefits (Note 6)	145,209	75,634	39,221	260,064
Training and Development	3,685	197,989	-	201,674
Occupancy	106,126	-	8,371	114,497
Conferences, Conventions and Meetings	95,081	30,954	38,940	164,975
Interest	-	-	-	-
Retreat Center Food and Supplies	116,170	-	-	116,170
Payroll Taxes	67,502	6,402	6,768	80,672
Office Expenses	80,385	20,723	12,060	113,168
Contract Services	-	-	-	-
Information Technology	27,593	11,144	3,995	42,732
Insurance	27,782	-	3,295	31,077
Travel	584	6,592	10,639	17,815
Legal Fees	-	-	4,501	4,501
Professional Services	23,819	36	738	24,593
Accounting Fees	2,186	2,186	1,093	5,465
Other	16,571	-	6,714	23,285
Advertising and Promotion	10,306	-	256	10,562
<b>Total Expenses</b>	<b>\$ 1,910,714</b>	<b>\$ 485,594</b>	<b>\$ 1,019,823</b>	<b>\$ 3,416,131</b>

The accompanying notes are an integral part of this statement.

**SUPPORTING SERVICES**

<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
\$ 424,297	\$ 133,520	\$ <b>1,685,413</b>
-	-	<b>345,589</b>
32,454	21,597	<b>277,685</b>
-	-	<b>508,062</b>
103,885	18,350	<b>382,299</b>
-	-	<b>201,674</b>
40,762	1,674	<b>156,933</b>
2,211	491	<b>167,677</b>
-	3,659	<b>3,659</b>
-	-	<b>116,170</b>
28,746	10,093	<b>119,511</b>
19,266	6,097	<b>138,531</b>
-	97,814	<b>97,814</b>
35,685	3,897	<b>82,314</b>
9,023	572	<b>40,672</b>
17,513	5,736	<b>41,064</b>
12,603	900	<b>18,004</b>
251	46,554	<b>71,398</b>
15,304	1,093	<b>21,862</b>
14,338	1,911	<b>39,534</b>
717	1,091	<b>12,370</b>
<b>\$ 757,055</b>	<b>\$ 355,049</b>	<b>\$ 4,528,235</b>

**THE DIOCESE OF RAPID CITY**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 18,176	\$ (706,515)
<i>Adjustments to Reconcile Change in Net Assets to</i>		
<i>Net Cash Provided by (Used in) Operating Activities:</i>		
Depreciation	486,563	277,685
Non-Cash Losses in SM Properties, LLC	723	271
Non-Cash Change in Fair Value of Guarantee Liability	-	(7,759)
Loss on Sale of Property and Equipment	-	4,785
Net Realized and Unrealized Gain on Investments	(1,294,713)	(80,822)
Donated Investments	(17,208)	(70,955)
Pledges Rescinded	127,529	-
Provisions for Uncollectible Promises to Give	(3,394)	74,741
Net Change of Present Value Discount	(121,518)	(109,447)
Contributions Restricted for Long-Term Purposes	(47,097)	(673,750)
<i>Working Capital Changes Increasing (Decreasing)</i>		
<i>Cash and Cash Equivalents:</i>		
Accounts Receivable	25,655	312,423
Promises to Give- Grants	(114,500)	-
Promises to Give -- Annual Appeal	56,347	32,351
Promises to Give -- Other and Living the Mission Appeals	10,000	11,000
Promises to Give -- Western SD Catholic Foundation	(29,943)	241,968
Prepaid Expenses	(3,321)	360
Accrued Interest Receivable	(2,922)	5,097
Accounts Payable, Accrued Payroll and Other Accrued Liabilities	349,265	(153,170)
Grants and Contributions Held for Others	56,147	(13,648)
Amounts Held for Others -- Other Appeals	(6,460)	1,175
Amounts Held for Others -- Miscellaneous	11,818	6,126
Grants Payable -- Living the Mission	398,147	508,062
Refundable Advance	33,587	392,605
<b>Net Cash Flows Provided by (Used in) Operating Activities</b>	<b>(67,119)</b>	<b>52,583</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(170,247)	(1,033,637)
Change in Other Assets	2,348	(16)
Proceeds from Sale of Property and Equipment	-	4,800
Cash Surrender Value of Life Insurance	380	6,449
Proceeds from Sale of Investments	1,176,418	2,594,913
Distribution from SM Properties, LLC	-	50,000
Purchases of Investments	(1,819,070)	(1,566,412)
<b>Net Cash Flows Provided by (Used in) Investing Activities</b>	<b>(810,171)</b>	<b>56,097</b>

**THE DIOCESE OF RAPID CITY**

**STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

**Cash Flows from Financing Activities**

Repayments of Long Term Debt	(1,141,915)	(106,034)
Repayments on Line of Credit	(236,292)	(1,173,465)
Collections of Contributions Restricted for Long-Term Purposes	1,724,477	2,069,976
<b>Net Cash Flows Provided by Financing Activities</b>	<b>346,270</b>	<b>790,477</b>

**Increase (Decrease) in Cash and Cash Equivalents** (531,020) 899,157

Cash and Cash Equivalents -- Beginning of Year 1,249,089 349,932

**Cash and Cash Equivalents -- End of Year** \$ 718,069 \$ 1,249,089

**Supplemental Disclosure of Cash Flow Information**

Cash Payments for Interest, Net Capitalized Interest of \$-0- and \$165,645 at June 30, 2021 and 2020, Respectively \$ 141,161 \$ 3,659

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

Borrowings on Line of Credit for Building Renovations \$ - \$ 1,429,263

The accompanying notes are an integral part of these statements.

## **THE DIOCESE OF RAPID CITY**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020**

#### **(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. The Diocese's viability is dependent on the number of individuals participating in the Catholic programs offered within the Diocese, and the Diocese's ability to collect on its contracts. 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 or any other affiliated organizations under the jurisdiction of the Bishop located within the Diocese are separate legal entities. The Diocese has no control or economic interest in the individual parishes or other affiliated organizations; therefore, the finances of these parishes and organizations 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. Significant estimates included in the accompanying financial statements are the allowance for uncollectible promises to give and present value of promises to give. It is at least reasonably possible that these estimates could change significantly in the near term.

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

The financial statements of the Diocese are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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 Finance Council 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, 2021 AND 2020**

**(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, 2021, 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. The beginning July 1, 2019 accounts receivable balance totaled \$444,821.

**Property and Equipment**

Property and equipment purchased in excess of \$250 is 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 or loss for the year ended June 30, 2021 and 2020. The Diocese also received a distribution for \$-0- and \$50,000 for the years ended June 30, 2021 and 2020, respectively.

**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 2021 or 2020 based on management's analysis.

## THE DIOCESE OF RAPID CITY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021 AND 2020

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

##### Amounts Held for Others

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.

##### Support and Revenue Recognition

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

Contributions of cash and other assets are recorded as support in the period received at their fair values and are distinguished between those that increase net assets with and without donor restriction. Unconditional promises to give are recognized upon donor notification as revenues in the period pledged. Amounts due after one year are recorded at their present value, using an applicable discount rate. Conditional promises to give – that is, those with a measurable performance or other barrier and right of return – are not recognized until the conditions on which they depend have been met. An allowance for uncollectible promises to give is estimated based on previous collection history and potential collection problems.

###### *Grants*

The Diocese receives grants from various sources. Each grant is analyzed to determine whether it is deemed an exchange transaction (where both the grantee and grantor receive commensurate benefits) or a contribution. All grants received during the years ended June 30, 2021 and 2020 are considered contributions.

###### *Contract Services*

The Diocese provides contract accounting services to parishes located within the Diocese. Services are provided under a contract that can be terminated with 30-day notice. The services provided under the contract may include reconciliations, processing, and financial statement preparation, all of which are integrated as accounting services. Revenue is recognized monthly over the term of the contract (output method).

###### *Programs*

Various programs are conducted throughout the year. Registration fees vary by program and are collected in advance. All programs are short-term in nature, and revenue is recognized at the time the program takes place.

###### *Terra Sancta Retreat Center Fees*

Retreat center fees are charged for specific events held at Terra Sancta and may include meeting room rental, sleeping room rental, and food service. Income is recognized at the time the event takes place and is net of sales tax 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, 2021 and 2020. 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.



## THE DIOCESE OF RAPID CITY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2021 AND 2020

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

##### 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, 2021 and 2020, 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.

##### Emerging Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases (Topic 840)* and provides principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. If the available accounting election is made, leases with a term of twelve months or less can be accounted for similar to existing guidance for operating leases. The standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Diocese is currently evaluating the impact this standard will have on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires that contributions of nonfinancial assets be reported in a separate line item within the Statement of Activities. Additional disclosures are also required, to include whether the contributions are monetized or utilized by the entity, the existence of any donor restrictions related to the assets, and how fair value was determined. The standard is effective for years beginning after June 15, 2021. The Diocese will be evaluating the impact this standard will have on the financial statements.

##### Subsequent Events

Subsequent events have been evaluated through November 12, 2021, the date which the financial statements were available to be issued.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020**

**(2) Promises to Give - Appeals**

*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 **\$21,000**, were made during the years ended June 30, 2021 and 2020.

*Other 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 the School, along with campus ministries, and is being managed by the Diocese.

As of June 30, 2021 and 2020, the Diocese has received conditional promises to give of approximately **\$1,350,000** and \$1,500,000, respectively, 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.

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

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 17,350	\$ 19,700
Due in one to five years	<b>30,000</b>	40,000
	<b>47,350</b>	59,700
Allowance for Uncollectible Amounts	<b>(7,350)</b>	(9,700)
<b>Net Promises to Give</b>	<b>\$ 40,000</b>	<b>\$ 50,000</b>

The Diocese has no present value calculation on this appeal as it was not deemed significant to the financial statements.

*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. Projects were approved during 2020 and 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 and funds approved for Catholic Schools (RCCSS) are included in Grants Payable – Living the Mission in the accompanying Statements of Financial Position.

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

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 1,770,205	\$ 1,841,562
Due in one to five years	<b>3,443,849</b>	5,177,401
	<b>5,214,054</b>	7,018,963
Present Value Discount - 2.5%	<b>(127,985)</b>	(249,503)
Allowance for Uncollectible Amounts	<b>(380,558)</b>	(383,952)
<b>Net Promises to Give</b>	<b>\$ 4,705,511</b>	<b>\$ 6,385,508</b>

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020**

**(2) Promises to Give - Appeals (Continued)**

Balances of promises to give (before applying the discount rate) from members of the Finance Council and employees of the Diocese totaled **\$79,322** and \$128,286 on June 30, 2021 and 2020, respectively. Of the June 30, 2021 and 2020 promises to give **23** and 19 percent, respectively, 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.

**(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. 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 (1.37 percent at June 30, 2021). Borrowings total **\$1,135,229** and \$1,119,521 at June 30, 2021 and 2020, respectively. The line of credit has no repayment schedule and is therefore included in long-term liabilities.

The Diocese also had a \$890,000 line of credit which expired on April 30, 2021. There were no borrowings at June 30, 2021. Borrowings totaled \$252,000 on the line of credit at June 30, 2020.

Other long-term debt consists of the following at June 30:	<b>2021</b>	2020
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. (Note 2)	<b>\$ 2,019,604</b>	\$ 3,120,369
Debt Obligation paid in full in 2021	-	41,150
	<b>2,019,604</b>	3,161,519
Less Current Maturities	<b>125,109</b>	115,691
	<b>\$ 1,894,495</b>	\$ 3,045,828

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

2022	125,109
2023	130,857
2024	136,660
2025	143,147
2026	149,723
Thereafter	1,334,108
	<b>\$ 2,019,604</b>

The Diocese guaranteed the US Bank debt of the School and was obligated to perform under this guarantee if the School failed to pay principal and interest payments to the lender when due. The School refinanced this debt through another financial institution in 2020, and, therefore, the guarantee agreement was terminated.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020**

**(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 Statements of Activities and Changes in Net Assets is as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Catholic Extension Society	\$ 49,150	\$ 45,000
Black and Indian Mission Office	79,000	82,000

**(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 \$42,033 and \$48,006 were made for eligible employees during the years ended June 30, 2021 and 2020.

**(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>2021</u>	<u>2020</u>
Living the Mission - General	\$ 2,521,787	\$ 4,480,238
Living the Mission - Pastoral Center	2,229,059	1,228,941
Facility Fund	603,647	489,807
Administrative Fund	377,171	299,593
Living the Mission - Priest's Retirement	318,437	175,563
Living the Mission - Native Ministry	318,437	175,563
Bishop's Retirement Fund	98,053	76,744
Future Debt Payments	61,836	37,871
Terra Sancta Guild - Operations	34,979	28,391
Bishop's Mission Fund	-	7,322
	<u>\$ 6,563,406</u>	<u>\$ 7,000,033</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>2021</u>	<u>2020</u>
Seminary Burse Fund	\$ 2,549,371	\$ 2,084,759
Terra Sancta Guild - Operations	190,648	160,241
Travel Trust	178,178	151,801
Bishop Residence	100,530	83,949
	<u>\$ 3,018,727</u>	<u>\$ 2,480,750</u>

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020**

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

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

	<b>2021</b>	<b>2020</b>
Priest Education	\$ 563,005	\$ 461,237
Bishop's Overseas Fund	401,175	327,417
Western SD Catholic Foundation - Operations	300,000	250,000
Adopt a Seminarian	249,999	296,851
Foreign Mission	211,240	172,255
Native American Ministries	190,317	189,150
Western SD Catholic Foundation - Seminarian Education	59,304	-
Other Grants - Timing	55,000	-
Terra Sancta Retreat Operations	53,867	53,142
We Walk By Faith Appeal -- General Project Needs (Note 2) *	40,000	57,191
Theology Education	37,815	31,969
Leichtnam Memorial Trust - Vocations/Religious Education/CSS	29,218	27,774
Terra Sancta Guild - Operations (Note 9)	27,756	17,027
Committee Home Missions - Ministries	16,000	-
Lay Ministry - Association	15,378	13,679
St. Francis Fund - Poor	7,726	4,139
National Pastoral Musician	6,369	4,694
Campaign for Human Development	6,043	3,542
Family Life	4,983	4,044
Seminary Burse Fund (Note 9)	4,518	37,620
Bishop Installation	2,871	36,673
Travel Trust (Note 9)	2,262	1,958
Lay Ministry - Education	2,030	1,648
Hispanic Ministry Fund	1,278	1,038
Rachel's Vineyard	784	636
Bishop's Admin Charity Fund	723	1,320
	<b>\$ 2,289,661</b>	<b>\$ 1,995,004</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, 2021.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020**

**(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, 2021 or 2020. Changes in donor-restricted endowment net assets for the years ended June 30, 2021 and 2020, are as follows:

	<b>With Donor Restrictions</b>		
	Time/Purpose	Perpetuity	Totals
Endowment, Net Assets - June 30, 2019	\$ 113,453	\$ 2,426,520	\$ 2,539,973
Investment Return, Net	50,433	51,678	102,111
Contributions	-	2,552	2,552
Appropriation for Expenditure	(107,281)	-	(107,281)
Endowment, Net Assets - June 30, 2020	56,605	2,480,750	\$ 2,537,355
Investment Return, Net	54,424	534,507	588,931
Contributions	-	3,470	3,470
Appropriation for Expenditure	(76,493)	-	(76,493)
<b>Endowment, Net Assets - June 30, 2021</b>	<b>\$ 34,536</b>	<b>\$ 3,018,727</b>	<b>\$ 3,053,263</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.

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020**

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

- 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.

*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, 2021 and 2020, 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, 2021</b>	Level One	Level Two	Level Three	<b>Total</b>
<i>Money Market included in Cash Equivalents</i>	\$ 243,042	\$ -	\$ -	<b>\$ 243,042</b>
<i>Investments</i>				
<i>Bonds</i>	-	3,466,145	-	<b>3,466,145</b>
<i>Equities</i>				
Large Cap Stock	1,559,069	-	-	<b>1,559,069</b>
Mid Cap Stock	187,507	-	-	<b>187,507</b>
Small Cap Stock	97,772	-	-	<b>97,772</b>
International Stock	883,620	-	-	<b>883,620</b>
<i>Mixed Funds</i>	-	-	-	-
<i>Real Estate Securities</i>	23,539	-	-	<b>23,539</b>
<i>Annuities</i>	-	973,415	-	<b>973,415</b>
<b><i>Total Investments</i></b>	<b>2,751,507</b>	<b>4,439,560</b>	<b>-</b>	<b>7,191,067</b>

<b>As of June 30, 2020</b>	Level One	Level Two	Level Three	<b>Total</b>
<i>Money Market included in Cash Equivalents</i>	\$ 782,082	\$ -	\$ -	<b>\$ 782,082</b>
<i>Investments</i>				
<i>Bonds</i>	-	2,762,770	-	<b>2,762,770</b>
<i>Equities</i>				
Large Cap Stock	889,220	-	-	<b>889,220</b>
Mid Cap Stock	166,478	-	-	<b>166,478</b>
International Stock	706,822	-	-	<b>706,822</b>
<i>Mixed Funds</i>	187,021	-	-	<b>187,021</b>
<i>Real Estate Securities</i>	19,180	-	-	<b>19,180</b>
<i>Annuities</i>	-	505,003	-	<b>505,003</b>
<b><i>Total Investments</i></b>	<b>1,968,721</b>	<b>3,267,773</b>	<b>-</b>	<b>5,236,494</b>

**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020**

**(11) Defined Benefit Pension Plan**

The Diocese is 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>2021 – 69% Funded Compared to Projected Benefit Obligation</u>	
Plan Assets at Fair Value	<b>\$7,100,137</b>
Projected Benefit Obligation	<b><u>10,345,269</u></b>
Projected Benefit Obligation in Excess of Plan Assets	<b>3,245,132</b>
<u>2021 – 134% Funded Compared to Actuarial Present Value of Accumulated Plan Benefits</u>	
Actuarial Present Value of Accumulated Plan Benefits	<b>\$5,312,467</b>
<u>2020 – 50% Funded Compared to Projected Benefit Obligation</u>	
Plan Assets at Fair Value	\$5,504,636
Projected Benefit Obligation	<b><u>11,001,247</u></b>
Projected Benefit Obligation in Excess of Plan Assets	5,496,611
<u>2020 – 109% Funded Compared to Actuarial Present Value of Accumulated Plan Benefits</u>	
Actuarial Present Value of Accumulated Plan Benefits	<b>\$5,047,558</b>

*Assumptions*

The significant actuarial assumptions used in the valuation as of June 30, 2021 and 2020, were (a) life expectancy of participants (the Pri-2012 Private Retirement Plans Mortality Table projected using Mortality Improvement Scale MP-2020 was used for 2021 and the Pri-2012 Private Retirement Plans Mortality Table projected using Mortality Improvement Scale MP-2019 was used for 2020), (b) disability of participants (the Pri-2012 Private Retirement Plans Mortality Table projected using Mortality Improvement Scale MP-2020 was used for 2021 and the Pri-2012 Private Retirement Plans Mortality Table projected using Mortality Improvement Scale MP-2019 was used for 2020), (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, 2021 and 2020, compounded annually, net of investment expenses), (e) discount rate (assumed **2.87** percent and 2.39 percent for June 30, 2021 and 2020, 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 years ended June 30, 2021 and 2020. 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 both the years ended June 30, 2021 and 2020 was \$-0-. The amount actually contributed to the Plan for the years ended June 30, 2021 and 2020 was **\$200,000** and \$250,000, respectively.



**THE DIOCESE OF RAPID CITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020**

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

*Estimated Future Benefit Payments*

Total benefits paid for the years ended June 30, 2021 and 2020 were **\$153,720** and \$120,950, 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 **\$2,100** and \$2,050 per month for the years ended June 30, 2021 and 2020, respectively. The benefit for the year ending June 30, 2022, will be \$2,140 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, 2021 and 2020, the Diocese has the following financial assets available for general use within one year of the Statement of Financial Position date:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ <b>718,069</b>	\$ 1,249,089
Accounts Receivable	<b>106,743</b>	132,398
Promises to Give- Grants	<b>114,500</b>	-
Promises to Give - Appeals	<b>4,859,730</b>	6,606,074
Promises to Give - Western SD Catholic Foundation	<b>411,304</b>	381,361
Investments	<b>7,191,067</b>	5,236,494
<b>Total Financial Assets</b>	<b>\$ 13,401,413</b>	<b>\$ 13,605,416</b>
Less Designated Funds	<b>(6,563,406)</b>	(7,000,033)
Less Donor-Imposed Restrictions	<b>(5,308,388)</b>	(4,475,754)
Less Grants Payable	<b>(2,924,495)</b>	(2,526,348)
Less Amounts Held for Others	<b>(227,931)</b>	(222,573)
<b>Financial Assets Available for General Use Within One Year</b>	<b>\$ (1,622,807)</b>	<b>\$ (619,292)</b>

The deficit at year end is due to the Diocese having designated funds that have helped fund the building of the new pastoral center but have not been released from designated funds at June 30, 2021. The Diocese is working to undesignate these funds subsequent to June 30, 2021. The designated fund balance for the pastoral center was **\$2,229,059** at June 30, 2021 (Note 7).

## THE DIOCESE OF RAPID CITY

### NOTES TO FINANCIAL STATEMENTS (CONCLUDED) JUNE 30, 2021 AND 2020

#### (13) Refundable Advance

The Diocese was granted a \$392,605 forgivable loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the SBA. Because forgiveness was anticipated, this was considered a conditional contribution and was initially recorded as a refundable advance. Grant revenue was recorded when the loan obligation was legally released by the SBA in December 2020. As such, the Diocese has recognized **\$392,605** as contribution revenue for the year ended June 30, 2021. The Diocese follows a simultaneous release policy for conditional contributions. As such, support is recorded as net assets without donor restrictions if the restrictions expire in the year the support is recognized.

The Diocese was granted a secondary **\$426,192** loan under the PPP administered by the SBA from a qualified lender. The loan is uncollateralized and is fully guaranteed by the SBA. The Diocese may be eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Because the Diocese anticipates forgiveness, this is considered a conditional contribution, and funds received in advance of meeting the conditions are recorded as refundable advances. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. In addition, other requirements regarding salary and employee levels must be maintained. Management submitted a forgiveness application subsequent to year-end for 100 percent of the loan balance pending SBA approval.

#### (14) Current Economic Events

The Diocese has been impacted by the world-wide coronavirus pandemic. The Diocese's revenue consists primarily of contributions, program income and investment income. The Diocese had to cancel several events in fiscal year 2021; however, events have occurred in the past few months. Its ability to fund programs and support its operations is significantly dependent on the receipt of contributions and the value of the investments that it manages. Investment values can fluctuate widely based on many factors, including investment performance and difficult market conditions, which can also impact the ability of donors to contribute to the Diocese. The continued decline and volatility of the equity, credit, and labor markets resulting from the coronavirus pandemic could have a significant impact on the value of the Diocese's investments and its receipt of contributions.

The Diocese is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this world-wide coronavirus pandemic. As of the date of issuance of these financial statements, the full impact to the Diocese's financial position is not known.