

THE DIOCESE OF RAPID CITY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021



Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

ktllp.com

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

Opinion

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, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and there is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Diocese's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for a reasonable period of time.

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



KETEL THORSTENSON, LLP
Certified Public Accountants

November 29, 2022

THE DIOCESE OF RAPID CITY

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

ASSETS	2022	2021
Current Assets		
Cash and Cash Equivalents (Note 10)	\$ 537,286	\$ 718,069
Accounts Receivable	158,946	106,743
Promises to Give -- Grants	83,500	114,500
Promises to Give -- Annual Appeal, Less Allowance for Uncollectible Amounts of \$64,555 and \$66,509 at June 30, 2022 and 2021, Respectively (Note 2)	186,667	114,219
Promises to Give -- Other Appeal, Current Portion, Less Allowance for Uncollectible Amounts (Note 2)	10,000	10,000
Promises to Give -- Living the Mission Appeal, Current Portion, Net of Allowance (Note 2)	1,612,523	1,641,003
Promise to Give --Western SD Catholic Foundation	402,000	411,304
Prepaid Expenses	131,308	80,515
Total Current Assets	3,122,230	3,196,353
Property and Equipment (Note 3)		
Furniture, Equipment and Vehicles	1,209,817	1,158,389
Terra Sancta Retreat Center and Improvements	9,912,712	9,858,719
Diocesan Buildings and Improvements (Note 4)	6,942,271	6,934,775
	18,064,800	17,951,883
Less Accumulated Depreciation	3,453,084	2,948,691
	14,611,716	15,003,192
Land for Future Expansion, at Cost	523,328	523,328
Land	151,765	151,765
	15,286,809	15,678,285
Other Assets		
Promises to Give -- Other Appeal, Net of Allowance, Discount and Current Portion (Note 2)	20,000	30,000
Promises to Give -- Living the Mission Appeal, Net of Allowance, Discount and Current Portion (Note 2)	1,461,953	3,064,508
Investment -- Securities (Notes 4 and 10)	6,108,787	7,191,067
Investment -- Cash Surrender Value of Life Insurance	77,046	79,644
Investment -- SM Properties, LLC	512,297	511,847
Accrued Interest Receivable	16,478	17,061
	8,196,561	10,894,127
TOTAL ASSETS	\$ 26,605,600	\$ 29,768,765

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	2022	2021
Current Liabilities		
Current Maturities of Long-Term Debt (Note 4)	\$ 154,988	\$ 125,109
Accounts Payable	32,288	133,093
Accrued Payroll	90,568	100,967
Deferred Revenue	40,620	49,375
Other Accrued Liabilities	302,278	212,736
Grants and Contributions Held for Others (Note 5)	100,825	83,835
Amounts Held for Others -- Other Appeals	2,013	50
Amounts Held for Others -- Miscellaneous	227,524	227,881
Grants Payable -- Living the Mission (Note 2)	3,251,881	2,924,495
Refundable Advance (Note 13)	-	426,192
Total Current Liabilities	4,202,985	4,283,733
Long-term Liabilities		
Long-Term Debt, Less Current Maturities (Note 4)	1,214,454	1,894,495
Line of Credit (Note 4)	1,152,658	1,135,229
	2,367,112	3,029,724
Commitments (Notes 3 and 11)		
Net Assets		
<i>With Donor Restrictions:</i> (Notes 8 and 9)		
Restricted in Perpetuity	1,906,466	3,018,727
Purpose/Time Restrictions	2,360,965	2,289,661
Total Net Assets with Donor Restrictions	4,267,431	5,308,388
<i>Without Donor Restrictions:</i>		
Designated (Note 7)	5,640,216	6,563,406
Undesignated	10,127,856	10,583,514
Total Net Assets without Donor Restrictions	15,768,072	17,146,920
Total Net Assets	20,035,503	22,455,308
TOTAL LIABILITIES AND NET ASSETS	\$ 26,605,600	\$ 29,768,765

THE DIOCESE OF RAPID CITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Annual Appeal Contributions (Note 2)	\$ 1,372,359	\$ -	\$ 1,372,359
Other Grants (Note 13)	426,192	81,250	507,442
Western SD Catholic Foundation Grant	-	402,000	402,000
Terra Sancta Retreat Center Fees	291,629	-	291,629
Contract Services	254,169	-	254,169
Programs	249,126	-	249,126
Gifts and Bequests	137,436	85,818	223,254
Adopt A Seminarian Appeal Contributions	-	133,455	133,455
Catholic Extension Society Grants	-	67,500	67,500
Parish Contributions	40,351	-	40,351
Committee on Home Missions Grants	-	40,000	40,000
Living the Mission Appeal Contributions (Note 2)	27,336	-	27,336
Black and Indian Mission Office Grants	-	24,000	24,000
Mission Coop Program Contributions	20,514	-	20,514
We Walk By Faith Appeal Contributions (Note 2)	-	1,190	1,190
SM Properties LLC Investment Gain	450	-	450
Investment Loss, Net	(378,211)	(686,702)	(1,064,913)
Net Assets Released from Restriction	1,189,468	(1,189,468)	-
Total Support and Revenues	3,630,819	(1,040,957)	2,589,862
Expenses			
Program Services	3,725,180	-	3,725,180
Management and General	948,738	-	948,738
Fundraising	335,749	-	335,749
Total Expenses	5,009,667	-	5,009,667
Change in Net Assets	(1,378,848)	(1,040,957)	(2,419,805)
Net Assets - Beginning of Year	17,146,920	5,308,388	22,455,308
Net Assets -- End of Year	\$ 15,768,072	\$ 4,267,431	\$ 20,035,503

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, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
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
Terra Sancta Retreat Center Fees	225,181	-	225,181
Contract Services	246,661	-	246,661
Programs	163,891	-	163,891
Gifts and Bequests	140,849	61,100	201,949
Adopt A Seminarian Appeal Contributions	-	172,720	172,720
Catholic Extension Society Grants	-	117,500	117,500
Parish Contributions	41,242	-	41,242
Committee on Home Missions Grants	-	40,000	40,000
Living the Mission Appeal (Note 2)	49,629	-	49,629
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)	-
Total Support and Revenues	4,068,140	832,634	4,900,774
Expenses			
Program Services	3,620,667	-	3,620,667
Management and General	936,038	-	936,038
Fundraising	325,893	-	325,893
Total Expenses	4,882,598	-	4,882,598
Change in Net Assets	(814,458)	832,634	18,176
Net Assets - Beginning of Year	17,961,378	4,475,754	22,437,132
Net Assets -- End of Year	\$ 17,146,920	\$ 5,308,388	\$ 22,455,308

The accompanying notes are an integral part of this statement.

THE DIOCESE OF RAPID CITY

**STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2022**

	PROGRAM SERVICES			
	Evangelization and Outreach	Seminarian and Clergy	Other	Total Program
Salaries and Wages	\$ 752,993	\$ 116,939	\$ 113,966	\$ 983,898
Depreciation	282,395	31,087	70,109	383,591
Grants and Assistance	76,180	57,357	315,699	449,236
Employee Benefits (Note 6)	140,862	55,680	41,210	237,752
Training and Development	12,055	328,994	-	341,049
Grants and Assistance - Parishes and RCCSS (Note 2)	-	-	327,386	327,386
Occupancy	164,182	11,444	30,357	205,983
Contract Services	71,548	10,065	7,547	89,160
Conferences, Conventions and Meetings	65,457	81,158	36,618	183,233
Retreat Center Food and Supplies	145,078	-	-	145,078
Office Expenses	69,556	23,404	15,062	108,022
Payroll Taxes	44,430	11,676	6,469	62,575
Interest	-	-	-	-
Information Technology	23,605	6,433	17,957	47,995
Insurance	37,337	2,067	5,278	44,682
Travel	11,061	15,007	8,964	35,032
Other	19,022	4,228	14,086	37,336
Professional Services	13,283	-	5,926	19,209
Accounting Fees	2,160	1,080	1,080	4,320
Advertising and Promotion	15,846	784	73	16,703
Legal Fees	1,198	477	1,265	2,940
Total Expenses	\$ 1,948,248	\$ 757,880	\$ 1,019,052	\$ 3,725,180

The accompanying notes are an integral part of this statement.

SUPPORTING SERVICES

Management and General	Fundraising	Total
\$ 424,079	\$ 137,051	\$ 1,545,028
92,133	28,669	504,393
100	-	449,336
121,463	17,749	376,964
-	-	341,049
-	-	327,386
39,894	7,152	253,029
40,259	104,663	234,082
3,483	885	187,601
-	-	145,078
25,847	6,067	139,936
28,223	10,163	100,961
95,708	-	95,708
22,705	4,020	74,720
7,388	1,270	53,340
16,094	2,054	53,180
13,164	2,355	52,855
238	12,256	31,703
16,202	1,080	21,602
96	17	16,816
1,662	298	4,900
\$ 948,738	\$ 335,749	\$ 5,009,667

THE DIOCESE OF RAPID CITY

**STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2021**

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

The accompanying notes are an integral part of this statement.

SUPPORTING SERVICES

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

THE DIOCESE OF RAPID CITY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	\$ (2,419,805)	\$ 18,176
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:</i>		
Depreciation	504,393	486,563
Non-Cash (Gain) Loss in SM Properties, LLC	(450)	723
Net Realized and Unrealized (Gain) Loss on Investments	1,160,522	(1,294,713)
Donated Investments	(56,371)	(17,208)
Pledges Rescinded	103,676	127,529
Provisions for Uncollectible Promises to Give	(10,801)	(3,394)
Net Change of Present Value Discount	(88,985)	(121,518)
Contributions Restricted for Long-Term Purposes	(37,216)	(47,097)
<i>Working Capital Changes Increasing (Decreasing) Cash and Cash Equivalents:</i>		
Accounts Receivable	(52,203)	25,655
Promises to Give -- Grants	31,000	(114,500)
Promises to Give -- Annual Appeal	(72,448)	56,347
Promises to Give -- Other Appeal	17,350	10,000
Promises to Give -- Western SD Catholic Foundation	9,304	(29,943)
Prepaid Expenses	(50,793)	(3,321)
Accrued Interest Receivable	583	(2,922)
Accounts Payable, Accrued Payroll, Deferred Revenue and Other Accrued Liabilities	(30,417)	349,265
Grants and Contributions Held for Others	16,990	56,147
Amounts Held for Others -- Other Appeals	1,963	(6,460)
Amounts Held for Others -- Miscellaneous	(357)	11,818
Grants Payable -- Living the Mission	327,386	398,147
Refundable Advance	(426,192)	33,587
Net Cash Flows Used in Operating Activities	(1,072,871)	(67,119)
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(112,917)	(170,247)
Change in Other Assets	-	2,348
Cash Surrender Value of Life Insurance	2,598	380
Proceeds from Sale of Investments	1,143,261	1,176,418
Purchases of Investments	(1,165,132)	(1,819,070)
Net Cash Flows Used in Investing Activities	(132,190)	(810,171)

THE DIOCESE OF RAPID CITY

**STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

Cash Flows from Financing Activities

Repayments of Long Term Debt	(650,162)	(1,141,915)
Borrowings (Repayments) on Line of Credit	17,429	(236,292)
Collections of Contributions Restricted for Long-Term Purposes	1,657,011	1,724,477
Net Cash Flows Provided by Financing Activities	1,024,278	346,270

Decrease in Cash and Cash Equivalents (180,783) (531,020)

Cash and Cash Equivalents -- Beginning of Year 718,069 1,249,089

Cash and Cash Equivalents -- End of Year \$ 537,286 \$ 718,069

Supplemental Disclosure of Cash Flow Information

Cash Payments for Interest \$ 95,708 \$ 141,161

The accompanying notes are an integral part of these statements.

THE DIOCESE OF RAPID CITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

(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 contributions. 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 estimate included in the accompanying financial statements is the allowance for uncollectible 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, 2022 AND 2021**

(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, 2022, 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, 2020 accounts receivable balance totaled \$132,398.

Property and Equipment

Property and equipment purchased in excess of \$5,000 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 Years
Buildings and Improvements	10-60 Years

The Diocese and Rapid City Catholic School System (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 value with changes in fair value accounted for in the Statement of Activities and Changes in Net Assets. Donated investments are recorded at the estimated fair 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 represents the Diocese's share of income or loss for the years ended June 30, 2022 and 2021.

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 value. In addition, management reviews useful lives of long-lived assets annually. No assets were deemed impaired in 2022 or 2021 based on management's analysis.

THE DIOCESE OF RAPID CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2022 AND 2021

(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, 2022 and 2021 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. Deferred revenue (contract liability) represents fees paid in advance of revenue being earned. All deferred revenue at June 30, 2021 was recognized as revenue during the year ended June 30, 2022.

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, 2022 or 2021. 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, 2022 AND 2021

(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 on 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, 2022 and 2021, 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 Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards 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.

Subsequent Events

Subsequent events have been evaluated through November 29, 2022, the date which the financial statements were available to be issued.

(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 **\$14,000** and \$21,000, were made during the years ended June 30, 2022 and 2021, respectively.

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(2) Promises to Give – Appeals (Continued)

Other Appeal

During 2009, the Diocese commenced the “We Walk by Faith” fund-raising capital appeal for both the Diocese and the School, along with campus ministries, and is being managed by the Diocese.

As of June 30, 2022 and 2021, the Diocese has received conditional promises to give of approximately **\$347,000** and \$1,350,000, 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>2022</u>	<u>2021</u>
Due in less than one year	\$ 10,000	\$ 17,350
Due in one to five years	20,000	30,000
	30,000	47,350
Allowance for Uncollectible Amounts	-	(7,350)
Net Promises to Give	\$ 30,000	\$ 40,000

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>2022</u>	<u>2021</u>
Due in less than one year	\$ 1,807,833	\$ 1,770,205
Due in one to five years	1,682,750	3,443,849
	3,490,583	5,214,054
Present Value Discount - 2.5%	(39,000)	(127,985)
Allowance for Uncollectible Amounts	(377,107)	(380,558)
Net Promises to Give	\$ 3,074,476	\$ 4,705,511

Balances of promises to give (before applying the discount rate) from members of the Finance Council and employees of the Diocese totaled **\$31,488** and \$79,322 on June 30, 2022 and 2021, respectively. Of the June 30, 2022 and 2021 promises to give 24 and 23 percent, respectively, is attributable to five contributors.

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(3) Priest Retirement Home Lease

During 2002, the Diocese completed the 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 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 the 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 (2.87 percent at June 30, 2022). Borrowings total **\$1,152,658** and \$1,135,229 at June 30, 2022 and 2021, respectively. The line of credit has no repayment schedule and is therefore included in long-term liabilities.

Other long-term debt consists of the following at June 30:	2022	2021
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.	\$ 1,369,442	\$ 2,019,604
	1,369,442	2,019,604
Less Current Maturities	154,988	125,109
	\$ 1,214,454	\$ 1,894,495

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

2023	\$ 154,988
2024	161,970
2025	169,549
2026	177,338
2026	185,485
Thereafter	520,112
	\$ 1,369,442

(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:

	2022	2021
Catholic Extension Society	\$ 35,840	\$ 49,150
Black and Indian Mission Office	61,000	79,000
Other	2,500	-

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(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 \$45,535 and \$42,033 were made for eligible employees during the years ended June 30, 2022 and 2021, respectively.

(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>2022</u>	<u>2021</u>
Living the Mission - Pastoral Center	\$ 3,154,474	\$ 2,229,059
Living the Mission - General	552,046	2,521,787
Facility Fund	516,563	603,647
Living the Mission - Priest's Retirement	450,639	318,437
Living the Mission - Native Ministry	450,639	318,437
Administrative Fund	325,515	377,171
Bishop's Retirement Fund	87,373	98,053
Future Debt Payments	73,046	61,836
Terra Sancta Guild - Operations	29,921	34,979
Designated Net Assets	\$ 5,640,216	\$ 6,563,406

(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>2022</u>	<u>2021</u>
Seminary Burse Fund	\$ 1,567,365	\$ 2,549,371
Terra Sancta Guild - Operations	151,794	190,648
Travel Trust	115,147	178,178
Bishop Residence	72,160	100,530
Net Assets Restricted in Perpetuity	\$ 1,906,466	\$ 3,018,727

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(8) Restrictions on Net Assets (Continued)

	<u>2022</u>	<u>2021</u>
Priest Education	\$ 477,435	\$ 563,005
Bishop's Overseas Fund	342,663	401,175
Seminary Burse Fund (Note 9)	342,002	4,518
Western SD Catholic Foundation - Operations - Subsequent Year	300,000	300,000
Adopt a Seminarian	187,556	249,999
Foreign Mission	180,295	211,240
Native American Ministries	165,576	190,317
Other Grants - Timing	63,500	55,000
Terra Sancta Retreat Operations	53,308	53,867
Western SD Catholic Foundation - Seminarian Education	50,000	59,304
Terra Sancta Guild - Terra Sancta Retreat Center Operations (Note 9)	35,025	27,756
Travel Trust (Note 9)	33,948	2,262
Theology Education	31,143	37,815
We Walk By Faith Appeal -- General Project Needs (Note 2) *	30,000	40,000
Leichtnam Memorial Trust - Vocations/Religious Education/CSS	19,993	29,218
Committee Home Missions - Ministries	15,200	16,000
Lay Ministry - Association	11,943	15,378
Even Estate - Bishop Residence (Note 9)	8,831	-
Campaign for Human Development	5,169	6,043
St. Francis Fund - Poor	4,614	7,726
National Pastoral Musician	4,489	6,369
Lay Ministry - Education	1,737	2,030
Hispanic Ministry Fund	1,094	1,278
Rachel's Vineyard	670	784
Bishop's Admin Charity Fund	618	723
Family Life	-	4,983
Bishop Installation**	(100)	2,871
Catholic Radio**	(5,744)	-
Net Assets with Purpose/Time Restriction	\$ 2,360,965	\$ 2,289,661

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.

* 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, 2022.

** Management allocated earnings to these funds subsequent to year-end to restore the deficit amounts.

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(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, 2022 or 2021. Changes in donor-restricted endowment net assets for the years ended June 30, 2022 and 2021, are as follows:

	With Donor Restrictions		
	Time/Purpose	Perpetuity	Totals
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)
Endowment, Net Assets - June 30, 2021	34,536	3,018,727	\$ 3,053,263
Investment Loss, Net	(441,870)	-	(441,870)
Transfers	1,114,881	(1,114,881)	-
Contributions	-	2,620	2,620
Appropriation for Expenditure	(287,741)	-	(287,741)
Endowment, Net Assets - June 30, 2022	\$ 419,806	\$ 1,906,466	\$ 2,326,272

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable growth for its endowment. Before the year ended June 30, 2022, unrealized gains/losses were allocated to net assets restricted in perpetuity, and the remaining net investment return remained in net assets with donor restriction until appropriated for expenditure. Effective July 1, 2021, the distribution policy now allows for all components of net investment income earned on these gifts to be available for distribution for the intended purposes specified by the donors. The change in policy allowed for cumulative unrealized amounts to be transferred from net assets held in perpetuity. All net investment return is allocated to net assets with donor restriction until appropriated for expenditure. Amounts appropriated for expenditure represent distributions of income based on the donors' direction and the Diocese's distribution policy.

(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, 2022 AND 2021**

(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, 2022 and 2021, 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.

As of June 30, 2022	Level One	Level Two	Level Three	Total
<i>Money Market included in Cash Equivalents</i>	\$ 177,579	\$ -	\$ -	\$ 177,579
<i>Investments</i>				
<i>Bonds</i>	-	2,913,843	-	2,913,843
<i>Equities</i>				
Large Cap Stock	1,363,476	-	-	1,363,476
Mid Cap Stock	158,561	-	-	158,561
Small Cap Stock	80,323	-	-	80,323
International Stock	761,990	-	-	761,990
<i>Mixed Funds</i>	-	-	-	-
<i>Real Estate Securities</i>	21,697	-	-	21,697
<i>Annuities</i>	-	808,897	-	808,897
<i>Total Investments</i>	2,386,047	3,722,740	-	6,108,787

As of June 30, 2021	Level One	Level Two	Level Three	Total
<i>Money Market included in Cash Equivalents</i>	\$ 243,042	\$ -	\$ -	\$ 243,042
<i>Investments</i>				
<i>Bonds</i>	-	3,466,145	-	3,466,145
<i>Equities</i>				
Large Cap Stock	1,559,069	-	-	1,559,069
Mid Cap Stock	187,507	-	-	187,507
Small Cap Stock	97,772	-	-	97,772
International Stock	883,620	-	-	883,620
<i>Real Estate Securities</i>	23,539	-	-	23,539
<i>Annuities</i>	-	973,415	-	973,415
<i>Total Investments</i>	2,751,507	4,439,560	-	7,191,067

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(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>2022 – 80% Funded Compared to Projected Benefit Obligation</u>	
Plan Assets at Fair Value	\$6,227,174
Projected Benefit Obligation	<u>7,827,733</u>
Projected Benefit Obligation in Excess of Plan Assets	1,600,559
<u>2022 – 113% Funded Compared to Actuarial Present Value of Accumulated Plan Benefits</u>	
Actuarial Present Value of Accumulated Plan Benefits	\$5,512,036
<u>2021 – 69% Funded Compared to Projected Benefit Obligation</u>	
Plan Assets at Fair Value	\$7,100,137
Projected Benefit Obligation	<u>10,345,269</u>
Projected Benefit Obligation in Excess of Plan Assets	3,245,132
<u>2021 – 134% Funded Compared to Actuarial Present Value of Accumulated Plan Benefits</u>	
Actuarial Present Value of Accumulated Plan Benefits	\$5,312,467

Assumptions

The significant actuarial assumptions used in the valuation as of June 30, 2022 and 2021, were (a) life expectancy of participants (the Pri-2012 Private Retirement Plans Mortality Table projected using Mortality Improvement Scale MP-2021 was used for 2022 and the Pri-2012 Private Retirement Plans Mortality Table projected using Mortality Improvement Scale MP-2020 was used for 2021), (b) disability of participants (the Pri-2012 Private Retirement Plans Mortality Table projected using Mortality Improvement Scale MP-2021 was used for 2022 and the Pri-2012 Private Retirement Plans Mortality Table projected using Mortality Improvement Scale MP-2020 was used for 2021), (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, 2022 and 2021, compounded annually, net of investment expenses), (e) discount rate by the FTSE Pension Liability Index (assumed 4.59 percent and 2.87 percent for June 30, 2022 and 2021, 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, 2022 and 2021. Management anticipates the unfunded obligation will continue to be funded by the participating parishes.

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(11) Defined Benefit Pension Plan (Continued)

Contributions (Continued)

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, 2022 and 2021 was \$-0-. The amount actually contributed to the Plan for the years ended June 30, 2022 and 2021 was **\$250,000** and \$200,000, respectively.

Estimated Future Benefit Payments

Total benefits paid for the years ended June 30, 2022 and 2021 were **\$157,932** and \$153,720, 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 **\$2,140** and \$2,100 per month for the years ended June 30, 2022 and 2021, respectively. The benefit for the year ending June 30, 2023, will be \$2,250 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 the date of the participant's 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, 2022 and 2021, the Diocese has the following financial assets available for general use within one year of the Statement of Financial Position date:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 537,286	\$ 718,069
Accounts Receivable	158,946	106,743
Promises to Give- Grants	83,500	114,500
Promises to Give - Appeals	3,291,143	4,859,730
Promises to Give - Western SD Catholic Foundation	402,000	411,304
Investments	6,108,787	7,191,067
Total Financial Assets	\$ 10,581,662	\$ 13,401,413
Less Designated Funds	(5,640,216)	(6,563,406)
Less Donor-Imposed Restrictions	(4,267,431)	(5,308,388)
Less Grants Payable	(3,251,881)	(2,924,495)
Less Amounts Held for Others including Grants and Contributions	(330,362)	(311,766)
Financial Assets Available for General Use Within One Year	\$ (2,908,228)	\$ (1,706,642)

THE DIOCESE OF RAPID CITY

NOTES TO FINANCIAL STATEMENTS (CONCLUDED) JUNE 30, 2022 AND 2021

(12) Liquidity and Availability (Continued)

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, 2022. The Diocese is working to undesignate these funds subsequent to June 30, 2022. The designated fund balance for the pastoral center was **\$3,154,474** and \$ 2,229,059 at June 30, 2022 and 2021, respectively (Note 7).

(13) Refundable Advance

During the years ending June 30, 2021 and 2020, the Diocese was granted forgivable loans under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loans totaled **\$426,192** and \$392,605, respectively and were uncollateralized and fully guaranteed by the SBA. Because forgiveness was anticipated, the amounts were considered conditional contributions and were initially recorded as refundable advances. Grant revenue was recorded when the loan obligations were legally released by the SBA in November 2021 and December 2020, respectively. As such, the Diocese has recognized **\$426,192** and \$392,605 as contribution revenue for the years ended June 30, 2022 and 2021, respectively. 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.

(14) Current Economic Events

The Diocese has been impacted by the world-wide coronavirus pandemic, as well as other national events. The Diocese's revenue consists primarily of contributions, program income and investment income. 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 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 unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Diocese's financial position is not known.