

THE DIOCESE OF RAPID CITY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

THE DIOCESE OF RAPID CITY

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	3-4
<i>Financial Statements:</i>	
Statements of Financial Position	5-6
Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2023	7
Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2022	8
Statement of Functional Expense for the Year Ended June 30, 2023	9-10
Statement of Functional Expense for the Year Ended June 30, 2022	11-12
Statements of Cash Flows.....	13-14
Notes to Financial Statements	15-27



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

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, 2023 and 2022, 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, 2023 and 2022, 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 30, 2023

THE DIOCESE OF RAPID CITY

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

ASSETS	2023	2022
Current Assets		
Cash and Cash Equivalents	\$ 496,093	\$ 537,286
Accounts Receivable	151,156	158,946
Promises to Give -- Grants, Employee Retention Tax Credit	837,851	-
Promises to Give -- Grants	86,500	83,500
Promises to Give -- Annual Appeal, Less Allowance for Uncollectible Amounts of \$68,088 and \$64,555 at June 30, 2023 and 2022, Respectively	141,972	186,667
Promises to Give -- Other Appeal, Current Portion, Less Allowance for Uncollectible Amounts	10,000	10,000
Promises to Give -- Living the Mission Appeal, Current Portion, Net of Allowance	1,470,747	1,612,523
Promise to Give --Western SD Catholic Foundation	452,000	402,000
Prepaid Expenses	127,098	131,308
Total Current Assets	3,773,417	3,122,230
Property and Equipment		
Furniture, Equipment and Vehicles	1,244,861	1,209,817
Terra Sancta Retreat Center and Improvements	9,956,068	9,912,712
Diocesan Buildings and Improvements	7,116,508	6,942,271
	18,317,437	18,064,800
Less Accumulated Depreciation	3,969,812	3,453,084
	14,347,625	14,611,716
Land for Future Expansion, at Cost	523,328	523,328
Land	208,865	151,765
	15,079,818	15,286,809
Other Assets		
Promises to Give -- Other Appeal, Net of Current Portion	10,000	20,000
Promises to Give -- Living the Mission Appeal, Net of Allowance, Discount and Current Portion	123,648	1,461,953
Investment -- Securities	5,967,265	6,108,787
Investment -- Cash Surrender Value of Life Insurance	80,079	77,046
Investment -- SM Properties, LLC	512,109	512,297
Accrued Interest Receivable	15,508	16,478
	6,708,609	8,196,561
TOTAL ASSETS	\$ 25,561,844	\$ 26,605,600

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	2023	2022
Current Liabilities		
Current Maturities of Long-Term Debt	\$ 161,970	\$ 154,988
Accounts Payable	76,527	32,288
Accrued Payroll	85,812	90,568
Deferred Revenue	39,825	40,620
Other Accrued Liabilities	278,718	302,278
Grants and Contributions Held for Others	50,985	100,825
Amounts Held for Others -- Other Appeals	-	2,013
Amounts Held for Others -- Miscellaneous	231,256	227,524
Grants Payable -- Living the Mission	3,491,911	3,251,881
Total Current Liabilities	4,417,004	4,202,985
Long-Term Liabilities		
Long-Term Debt, Less Current Maturities	1,051,483	1,214,454
Line of Credit	-	1,152,658
	1,051,483	2,367,112
Net Assets		
<i>With Donor Restrictions:</i>		
Restricted in Perpetuity	1,914,750	1,906,466
Purpose/Time Restrictions	2,464,006	2,360,965
Total Net Assets with Donor Restrictions	4,378,756	4,267,431
<i>Without Donor Restrictions:</i>		
Designated	6,006,923	5,640,216
Undesignated	9,707,678	10,127,856
Total Net Assets without Donor Restrictions	15,714,601	15,768,072
Total Net Assets	20,093,357	20,035,503
TOTAL LIABILITIES AND NET ASSETS	\$ 25,561,844	\$ 26,605,600

THE DIOCESE OF RAPID CITY

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Annual Appeal Contributions	\$ 1,431,493	\$ -	\$ 1,431,493
Grant Income - Employee Retention Tax Credit	1,113,693	-	1,113,693
Investment Return, Net	224,937	454,002	678,939
Western SD Catholic Foundation Grant	-	452,000	452,000
Gifts and Bequests	189,814	245,214	435,028
Terra Sancta Retreat Center Fees	330,775	-	330,775
Contract Services	279,051	-	279,051
Programs	226,384	-	226,384
Adopt A Seminarian Appeal Contributions	-	150,630	150,630
Other Grants	-	89,500	89,500
Catholic Extension Society Grants	-	64,000	64,000
Committee on Home Missions Grants	4,000	45,000	49,000
Parish Contributions	43,488	-	43,488
Black and Indian Mission Office Grants	-	20,000	20,000
Living the Mission Appeal Contributions	5,779	-	5,779
Mission Coop Program Contributions	1,000	-	1,000
We Walk By Faith Appeal Contributions	-	220	220
Net Assets Released from Restriction	1,409,241	(1,409,241)	-
SM Properties LLC Investment Loss	(188)	-	(188)
Total Support and Revenues	5,259,467	111,325	5,370,792
Expenses			
Program Services	3,806,220	-	3,806,220
Management and General	1,135,114	-	1,135,114
Fundraising	371,604	-	371,604
Total Expenses	5,312,938	-	5,312,938
Change in Net Assets	(53,471)	111,325	57,854
Net Assets - Beginning of Year	15,768,072	4,267,431	20,035,503
Net Assets -- End of Year	\$ 15,714,601	\$ 4,378,756	\$ 20,093,357

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, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Annual Appeal Contributions	\$ 1,372,359	\$ -	\$ 1,372,359
Investment Loss, Net	(378,211)	(686,702)	(1,064,913)
Western SD Catholic Foundation Grant	-	402,000	402,000
Gifts and Bequests	137,436	85,818	223,254
Terra Sancta Retreat Center Fees	291,629	-	291,629
Contract Services	254,169	-	254,169
Programs	249,126	-	249,126
Adopt A Seminarian Appeal Contributions	-	133,455	133,455
Other Grants	426,192	81,250	507,442
Catholic Extension Society Grants	-	67,500	67,500
Committee on Home Missions Grants	-	40,000	40,000
Parish Contributions	40,351	-	40,351
Black and Indian Mission Office Grants	-	24,000	24,000
Living the Mission Appeal	27,336	-	27,336
Mission Coop Program Contributions	20,514	-	20,514
We Walk By Faith Appeal Contributions	-	1,190	1,190
Net Assets Released from Restriction	1,189,468	(1,189,468)	-
SM Properties LLC Investment Gain	450	-	450
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 FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2023**

	PROGRAM SERVICES			
	Evangelization and Outreach	Seminarian and Clergy	Other	Total Program
Salaries and Wages	\$ 733,194	\$ 122,358	\$ 124,344	\$ 979,896
Depreciation	301,329	28,212	73,198	402,739
Employee Benefits	141,971	91,497	39,904	273,372
Grants and Assistance	76,399	52,684	283,437	412,520
Training and Development	11,764	372,502	-	384,266
Contract Services	79,585	7,549	47,895	135,029
Occupancy	175,807	9,616	24,950	210,373
Grants and Assistance - Parishes and RCCSS	-	-	240,030	240,030
Conferences, Conventions and Meetings	85,449	62,743	41,995	190,187
Office Expenses	82,821	31,014	22,965	136,800
Retreat Center Food and Supplies	172,643	-	-	172,643
Payroll Taxes	51,886	11,341	7,467	70,694
Interest	-	-	-	-
Information Technology	22,525	9,202	19,619	51,346
Travel	12,226	24,212	11,943	48,381
Insurance	44,825	4,286	9,551	58,662
Accounting Fees	2,451	1,226	1,226	4,903
Professional Services	6,866	2	5,213	12,081
Advertising and Promotion	6,687	777	1,095	8,559
Other	4,609	1,104	2,867	8,580
Legal Fees	2,047	866	2,246	5,159
Total Expenses	\$ 2,015,084	\$ 831,191	\$ 959,945	\$ 3,806,220

The accompanying notes are an integral part of this statement.

SUPPORTING SERVICES

Management and General	Fundraising	Total
\$ 533,658	\$ 136,990	\$ 1,650,544
89,591	24,399	516,729
131,983	18,931	424,286
4,291	753	417,564
-	-	384,266
76,166	137,301	348,496
31,688	8,317	250,378
-	-	240,030
6,902	839	197,928
27,757	8,542	173,099
-	-	172,643
35,848	9,663	116,205
107,066	-	107,066
23,539	6,411	81,296
28,289	2,857	79,527
12,612	3,184	74,458
18,384	1,226	24,513
26	10,947	23,054
2,616	365	11,540
1,949	130	10,659
2,749	749	8,657
\$ 1,135,114	\$ 371,604	\$ 5,312,938

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
Employee Benefits	140,862	55,680	41,210	237,752
Grants and Assistance	76,180	57,357	315,699	449,236
Training and Development	12,055	328,994	-	341,049
Contract Services	71,548	10,065	7,547	89,160
Occupancy	164,182	11,444	30,357	205,983
Grants and Assistance - Parishes and RCCSS	-	-	327,386	327,386
Conferences, Conventions and Meetings	65,457	81,158	36,618	183,233
Office Expenses	69,556	23,404	15,062	108,022
Retreat Center Food and Supplies	145,078	-	-	145,078
Payroll Taxes	44,430	11,676	6,469	62,575
Interest	-	-	-	-
Information Technology	23,605	6,433	17,957	47,995
Travel	11,061	15,007	8,964	35,032
Insurance	37,337	2,067	5,278	44,682
Accounting Fees	2,160	1,080	1,080	4,320
Professional Services	13,283	-	5,926	19,209
Advertising and Promotion	15,846	784	73	16,703
Other	19,022	4,228	14,086	37,336
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
121,463	17,749	376,964
100	-	449,336
-	-	341,049
40,259	104,663	234,082
39,894	7,152	253,029
-	-	327,386
3,483	885	187,601
25,847	6,067	139,936
-	-	145,078
28,223	10,163	100,961
95,708	-	95,708
22,705	4,020	74,720
16,094	2,054	53,180
7,388	1,270	53,340
16,202	1,080	21,602
238	12,256	31,703
96	17	16,816
13,164	2,355	52,855
1,662	298	4,900
\$ 948,738	\$ 335,749	\$ 5,009,667

THE DIOCESE OF RAPID CITY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
Cash Flows from Operating Activities		
Change in Net Assets	\$ 57,854	\$ (2,419,805)
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:</i>		
Depreciation	516,729	504,393
Non-Cash (Gain) Loss in SM Properties, LLC	188	(450)
Net Realized and Unrealized (Gain) Loss on Investments	(581,872)	1,160,522
Donated Investments	(46,781)	(56,371)
Pledges Rescinded	61,328	103,676
Provisions for Uncollectible Promises to Give	(1,961)	(10,801)
Net Change of Present Value Discount	(27,707)	(88,985)
Contributions Restricted for Long-Term Purposes	(31,905)	(37,216)
<i>Working Capital Changes Increasing (Decreasing) Cash and Cash Equivalents:</i>		
Accounts Receivable	7,790	(52,203)
Promises to Give -- Grants, Employee Retention Tax Credit	(837,851)	-
Promises to Give -- Grants	(3,000)	31,000
Promises to Give -- Annual Appeal	44,695	(72,448)
Promises to Give -- Other Appeal	10,000	17,350
Promises to Give -- Western SD Catholic Foundation	(50,000)	9,304
Prepaid Expenses	4,210	(50,793)
Accrued Interest Receivable	970	583
Accounts Payable, Accrued Payroll, Deferred Revenue and Other Accrued Liabilities	15,128	(30,417)
Grants and Contributions Held for Others	(49,840)	16,990
Amounts Held for Others -- Other Appeals	(2,013)	1,963
Amounts Held for Others -- Miscellaneous	3,732	(357)
Grants Payable -- Living the Mission	240,030	327,386
Refundable Advance	-	(426,192)
Net Cash Flows Used in Operating Activities	(670,276)	(1,072,871)
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(309,738)	(112,917)
Cash Surrender Value of Life Insurance	(3,033)	2,598
Proceeds from Sale of Investments	1,800,860	1,143,261
Purchases of Investments	(1,030,685)	(1,165,132)
Net Cash Flows Provided by (Used in) Investing Activities	457,404	(132,190)

THE DIOCESE OF RAPID CITY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

Cash Flows from Financing Activities

Repayments of Long Term Debt	(155,989)	(650,162)
Borrowings (Repayments) on Line of Credit	(1,152,658)	17,429
Collections of Contributions Restricted for Long-Term Purposes	1,480,326	1,657,011
Net Cash Flows Provided by Financing Activities	171,679	1,024,278

Decrease in Cash and Cash Equivalents (41,193) (180,783)

Cash and Cash Equivalents -- Beginning of Year 537,286 718,069

Cash and Cash Equivalents -- End of Year \$ 496,093 \$ 537,286

Supplemental Disclosure of Cash Flow Information

Cash Payments for Interest \$ 107,066 \$ 95,708

The accompanying notes are an integral part of these statements.

THE DIOCESE OF RAPID CITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

(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. A significant estimate included in the accompanying financial statements is the allowance for uncollectible promises to give. It is at least reasonably possible that this estimate could change significantly in the near term.

Financial Statement Presentation

The financial statements 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. At June 30, 2023, the Diocese had approximately \$227,000, in excess of Federal Deposit Insurance Corporation insured limits.

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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

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, 2023, 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, 2021 accounts receivable balance totaled \$106,743.

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 (loss) 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, 2023 and 2022.

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 2023 or 2022 based on management's analysis.

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.

THE DIOCESE OF RAPID CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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

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, 2023 and 2022 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, 2022 was recognized as revenue during the year ended June 30, 2023. The July 1, 2021 deferred revenue balance totaled \$49,375.

Leases-Lessor

The Diocese determines if an arrangement is or contains a lease at inception or modification of the agreement and classifies such leases as operating, direct financing, or sales-type leases. Direct financing and sales-type leases meet certain criteria that have the economic characteristics of transferring ownership of the underlying asset and are accounted for similar to financing arrangements. A lease is classified as an operating lease if it does not qualify as a sales-type or direct financing lease. Operating lease revenue is recognized on a straight-line basis over the term of the lease. An election has been made for all asset classes to treat any non-lease components as part of the lease contract as the timing and pattern of transfer is the same as the lease component, the non-lease components would be classified as operating leases if accounted for separately, and the lease component is the primary element of the contract.

Terra Sancta 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 when the event takes place and is net of sales tax collected. All leases at Terra Sancta Retreat Center are short-term and do not exceed 12 months. Leased property under operating leases at June 30, 2023 and 2022 includes buildings, equipment and improvements of **\$9,956,068** and \$9,912,712 and accumulated depreciation of **\$2,417,615** and \$2,202,057, respectively. Depreciation expense related to property leased under operating leases was **\$215,107** and \$214,902 for the years ended June 30, 2023 and 2022, respectively.

THE DIOCESE OF RAPID CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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

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, 2023 or 2022. The Diocese receives a significant amount of donated services from unpaid volunteers. A dollar valuation of these services is not reflected in the financial statements since it does not meet the criteria for recognition.

Expense Allocation

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Certain expenses can be directly allocated to program or supporting functions. Other categories of expenses are attributable to more than one program or supporting function and require allocation 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, 2023 and 2022, 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.

Adopted Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) Topic 842, *Leases*, which provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessors to classify leases as sales-type, direct financing, or operating leases based whether the lessee, in effect, obtains control of the underlying asset as a result of the lease. The classification determines the timing and presentation of income recognition. The Diocese adopted this standard as of July 1, 2022, the beginning of the adoption period. As part of implementation, the Diocese elected the permitted package of practical expedients. Accordingly, existing and expired leases have been accounted for under the new guidance without reassessing (a) whether the contract contains a lease, (b) whether lease classification needs revised, or (c) whether previously capitalized initial direct costs qualify as such. In addition, the Diocese has elected to use hindsight in determining the likelihood that options (including lease extension, lease termination, or asset purchase) will be exercised or that right-of-use assets are impaired. Adoption did not materially impact the Diocese's financial statements, as all material leases are operating leases.

Subsequent Events

Subsequent events have been evaluated through November 20, 2023, 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 **\$16,000** and \$14,000, were made during the years ended June 30, 2023 and 2022, respectively.

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(2) Promises to Give – Appeals

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. The campaign is being managed by the Diocese.

As of June 30, 2023 and 2022, the Diocese has received conditional promises to give of approximately **\$1,247,000** and \$1,347,000, 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>2023</u>	<u>2022</u>
Due in less than one year	\$ 10,000	\$ 10,000
Due in one to five years	10,000	20,000
	<u>20,000</u>	<u>30,000</u>
Allowance for Uncollectible Amounts	-	-
Net Promises to Give	<u>\$ 20,000</u>	<u>\$ 30,000</u>

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>2023</u>	<u>2022</u>
Due in less than one year	\$ 1,814,366	\$ 1,807,833
Due in one to five years	166,468	1,682,750
	<u>1,980,834</u>	<u>3,490,583</u>
Present Value Discount - 2.5%	(11,293)	(39,000)
Allowance for Uncollectible Amounts	(375,146)	(377,107)
Net Promises to Give	<u>\$ 1,594,395</u>	<u>\$ 3,074,476</u>

Balances of promises to give (before applying the discount rate) from members of the Finance Council and employees of the Diocese totaled **\$8,846** and \$31,488 on June 30, 2023 and 2022, respectively. Of the June 30, 2023 and 2022 promises to give **23** and 24 percent, respectively, is attributable to five contributors.

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(3) Investments in Securities and Fair Value Measurements

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

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

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, 2023 and 2022, 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, 2023	Level One	Level Two	Level Three	Total
<i>Money Market included in Cash Equivalents</i>	\$ 94,299	\$ -	\$ -	\$ 94,299
<i>Investments</i>				
<i>Bonds</i>	-	2,685,349	-	2,685,349
<i>Equities</i>				
Large Cap Stock	1,329,594	-	-	1,329,594
Mid Cap Stock	185,234	-	-	185,234
Emerging Market	139,977	-	-	139,977
Small Cap Stock	81,723	-	-	81,723
International Stock	619,540	-	-	619,540
<i>Real Estate Securities</i>	22,576	-	-	22,576
<i>Annuities</i>	-	903,272	-	903,272
<i>Total Investments</i>	2,378,644	3,588,621	-	5,967,265

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(3) Investments in Securities and Fair Value Measurements

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>Real Estate Securities</i>	21,697	-	-	21,697
<i>Annuities</i>	-	808,897	-	808,897
Total Investments	2,386,047	3,722,740	-	6,108,787

(4) 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:

	2023	2022
Catholic Extension Society	\$ 70,237	\$ 35,840
Black and Indian Mission Office	43,000	61,000
Other	-	2,500

(5) Pension Plan

The Diocese has a 403(b) pension plan covering full and part-time employees working 30 hours or more per week. Matching contributions by the Diocese are discretionary. Employer contributions totaling \$46,456 and \$45,535 were made for eligible employees during the years ended June 30, 2023 and 2022, respectively.

(6) 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:

	2023	2022
Living the Mission - Pastoral Center	\$ 3,125,607	\$ 3,154,474
Administrative Fund	1,179,428	325,515
Living the Mission - Priest's Retirement	540,825	450,639
Living the Mission - Native Ministry	540,825	450,639
Facility Fund	401,822	516,563
Bishop's Retirement Fund	101,567	87,373
Future Debt Payments	83,266	73,046
Terra Sancta Guild - Operations	33,583	29,921
Living the Mission - General	-	552,046
Designated Net Assets	\$ 6,006,923	\$ 5,640,216

THE DIOCESE OF RAPID CITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

(7) 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 8) with only the income to be utilized for the purposes listed below.

	<u>2023</u>	<u>2022</u>
Seminary Burse Fund	\$ 1,575,649	\$ 1,567,365
Terra Sancta Guild - Operations	151,794	151,794
Travel Trust	115,147	115,147
Bishop Residence	72,160	72,160
Net Assets Restricted in Perpetuity	\$ 1,914,750	\$ 1,906,466

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

	<u>2023</u>	<u>2022</u>
Priest Education	\$ 512,414	\$ 477,435
Bishop's Overseas Fund	383,291	342,663
Western SD Catholic Foundation - Operations - Subsequent Year	300,000	300,000
Seminary Burse Fund (Note 8)	295,691	342,002
Foreign Missions	201,334	180,295
Adopt a Seminarian	186,673	187,556
Native American Ministries	114,573	165,576
Western SD Catholic Foundation - Seminarian Education	100,000	50,000
Other Grants - Timing	64,000	63,500
Terra Sancta Guild - Terra Sancta Retreat Center Operations (Note 8)	57,893	35,025
Terra Sancta Retreat Operations	53,713	53,308
Travel Trust (Note 8)	43,199	33,948
Theology Education	30,323	31,143
Priest Sabbatical Fund	25,108	-
We Walk By Faith Appeal -- General Project Needs (Note 2) *	20,000	30,000
Leichtnam Memorial Trust - Vocations/Religious Education/CSS	17,441	19,993
Committee Home Missions - Ministries	17,300	15,200
Even Estate - Bishop Residence (Note 8)	13,746	8,831
Lay Ministry - Association	9,590	11,943
Campaign for Human Development	7,152	5,169
National Pastoral Musician	4,512	4,489
Lay Ministry - Education	1,949	1,737
St. Francis Fund - Poor	1,431	4,614
Hispanic Ministry Fund	1,227	1,094
Rachel's Vineyard	752	670
Bishop's Admin Charity Fund	694	618
Bishop Installation**	-	(100)
Catholic Radio**	-	(5,744)
Net Assets with Purpose/Time Restriction	\$ 2,464,006	\$ 2,360,965

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(7) Restrictions on Net Assets

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, 2023.

** Management allocated earnings to these funds during the year ended June 30, 2023 to restore the deficit amounts.

(8) 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, 2023 or 2022. Changes in donor-restricted endowment net assets for the years ended June 30, 2023 and 2022, are as follows:

	With Donor Restrictions		Totals
	Time/Purpose	Perpetuity	
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
Investment Income, Net	285,597	-	285,597
Contributions	-	8,284	8,284
Appropriation for Expenditure	(294,874)	-	(294,874)
Endowment, Net Assets - June 30, 2023	\$ 410,529	\$ 1,914,750	\$ 2,325,279

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.

THE DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(9) Debt Agreements

During the year ended June 30, 2019, the Diocese utilized a revolving line of credit agreement from RBC Wealth Management 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. Borrowings total ~~\$-0-~~ and \$1,152,658 at June 30, 2023 and 2022, respectively.

Other long-term debt consists of the following at June 30:	2023	2022
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.	\$ 1,213,453	\$ 1,369,442
	1,213,453	1,369,442
Less Current Maturities	161,970	154,988
	\$ 1,051,483	\$ 1,214,454

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

2024	\$ 161,970
2025	169,549
2026	177,338
2027	185,485
2028	193,957
Thereafter	325,154
	\$ 1,213,453

(10) 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 DIOCESE OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(10) Defined Benefit Pension Plan

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

<u>2023 – 84% Funded Compared to Projected Benefit Obligation</u>	
Plan Assets at Fair Value	\$6,872,862
Projected Benefit Obligation	<u>8,190,484</u>
Projected Benefit Obligation in Excess of Plan Assets	1,342,292
<u>2023 – 109% Funded Compared to Actuarial Present Value of Accumulated Plan Benefits</u>	
Actuarial Present Value of Accumulated Plan Benefits	\$6,271,272
<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

Assumptions

The significant actuarial assumptions used in the valuation as of June 30, 2023 and 2022, were (a) life expectancy of participants (the Pri-2012 Private Retirement Plans Mortality Table projected using Mortality Improvement Scale MP-2021 was used for 2023 and 2022), (b) disability of participants (the Pri-2012 Private Retirement Plans Mortality Table projected using Mortality Improvement Scale MP-2021 was used for 2023 and 2022), (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, 2023 and 2022, compounded annually, net of investment expenses), (e) discount rate by the FTSE Pension Liability Index (assumed **5.07** percent and 4.59 percent for June 30, 2023 and 2022, 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, 2023 and 2022. 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, 2023 and 2022 was \$-0-. The amount actually contributed to the Plan for the years ended June 30, 2023 and 2022 was **\$150,000** and \$250,000, respectively.

Estimated Future Benefit Payments

Total benefits paid for the years ended June 30, 2023 and 2022 were **\$212,138** and \$157,932, 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 **\$2,250** and \$2,140 per month for the years ended June 30, 2023 and 2022, respectively. The benefit for the year ending June 30, 2024, will be \$2,340 per month. Participants with less than 30 years of total service receive reduced monthly benefit payments. Benefit payments cease upon death of the participant.

THE DIOCESE OF RAPID CITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

(10) Defined Benefit Pension Plan

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.

(11) 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 Finance Council/Bishop could undesignate funds, and cash/investment reserves could be utilized to cover shortfalls. At June 30, 2023 and 2022, the Diocese has the following financial assets available for general use within one year of the Statement of Financial Position date:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 496,093	\$ 537,286
Accounts Receivable	151,156	158,946
Promises to Give - Grants, Employee Retention Tax Credit	837,851	-
Promises to Give - Grants	86,500	83,500
Promises to Give - Appeals	1,756,367	3,291,143
Promises to Give - Western SD Catholic Foundation	452,000	402,000
Investments-Securities	5,967,265	6,108,787
Total Financial Assets	\$ 9,747,232	\$ 10,581,662
Less Designated Funds	(6,006,923)	(5,640,216)
Less Donor-Imposed Restrictions	(4,378,756)	(4,267,431)
Less Grants Payable	(3,491,911)	(3,251,881)
Less Amounts Held for Others including Grants and Contributions	(282,241)	(330,362)
Financial Assets Available for General Use Within One Year	\$ (4,412,599)	\$ (2,908,228)

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, 2023. The Diocese is working to undesignate these funds subsequent to June 30, 2024. The designated fund balance for the pastoral center was \$3,125,607 and \$ 3,154,474 at June 30, 2023 and 2022, respectively (Note 6). The Diocese also plans to obtain a loan to pay the grant payable associated with the Living the Mission campaign at the conclusion of the campaign.

(12) Refundable Advance

During the year ending June 30, 2021, the Diocese was granted a forgivable loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan totaled \$426,192 and was 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 obligation was legally released by the SBA in November 2021. As such, the Diocese has recognized \$426,192 as contribution revenue for the year ended June 30, 2022. 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 OF RAPID CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

(13) Grant Funding

The Diocese qualified for an Employee Retention Credit (ERC), which was created under the CARES Act. The ERC is a fully refundable payroll tax credit available to small businesses experiencing a significant decline in revenues or subject to a government forced shutdown of operations between March 12, 2020 and September 30, 2021. The Diocese has submitted amended payroll tax returns to the Internal Revenue Service to claim the credit. The Diocese has recorded grant income of **\$1,113,963** for the year ended June 30, 2023. The Diocese has recorded grant receivables of **\$837,851** at June 30, 2023. The amount was received in full subsequent to June 30, 2023.