

**The Roman Catholic Diocese of Salina**

**Consolidated Financial Statements  
As of June 30, 2022 and 2021  
and For the Years Then Ended**

**With Report by Independent Auditors**



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**Most Reverend Bishop Gerald Vincke**  
The Roman Catholic Diocese of Salina  
103 North Ninth Street  
Salina, KS 67401

November 30, 2022

### **Independent Auditor's Report**

#### **Opinion**

We have audited the accompanying consolidated financial statements of The Roman Catholic Diocese of Salina (the Diocese), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated 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 consolidated 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 therefore 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

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than for one resulting from error, as 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 internal control at the Diocese. 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ability of the Diocese 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 internal control related matters that we identified during the audit.

**Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Kientz & Penick, CPAs, LLC*

Certified Public Accountants  
Manhattan, Kansas

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,147,215	\$ 7,188,893
Accounts receivable	200,583	227,566
Contributions receivable, net	221,329	183,047
Prepaid expenses and other current assets	30,234	215,424
<b>Total Current Assets</b>	<u>3,599,361</u>	<u>7,814,930</u>
<b>Noncurrent Assets</b>		
Investments (at fair value)	41,596,103	63,309,038
Investments (at cost)	871,702	871,702
Beneficial interest in related organization	3,913,289	-
Notes receivable from related organizations	2,143,843	321,787
Property and equipment, net	1,104,092	1,157,308
<b>Total Noncurrent Assets</b>	<u>49,629,029</u>	<u>65,659,835</u>
<b>Total Assets</b>	<u>\$ 53,228,390</u>	<u>\$ 73,474,765</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 45,953	\$ 110,699
Due to related organizations	398,133	294,523
<b>Total Current Liabilities</b>	<u>444,086</u>	<u>405,222</u>
<b>Noncurrent Liabilities</b>		
Funds on deposit due to related organizations	28,136,625	40,086,201
Deferred revenue	-	225,146
<b>Total Noncurrent Liabilities</b>	<u>28,136,625</u>	<u>40,311,347</u>
<b>Total Liabilities</b>	<u>28,580,711</u>	<u>40,716,569</u>
<b>Net Assets</b>		
<b>Net Assets Without Donor Restrictions</b>		
Undesignated	3,876,343	8,247,278
Designated endowment for Seminary and Education Fund	1,159,817	1,159,817
Designated endowment for Catholic school subsidy	1,976,951	2,082,361
Investment in property and equipment	1,104,092	1,157,308
<b>Total Net Assets Without Donor Restrictions</b>	<u>8,117,203</u>	<u>12,646,764</u>
<b>Net Assets With Donor Restrictions</b>		
Spendable in a future year	221,329	183,047
Spendable for a specified purpose	2,212,220	2,201,269
Endowments	14,096,927	17,727,116
<b>Total Net Assets With Donor Restrictions</b>	<u>16,530,476</u>	<u>20,111,432</u>
<b>Total Net Assets</b>	<u>24,647,679</u>	<u>32,758,196</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 53,228,390</u>	<u>\$ 73,474,765</u>

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>Operating Revenues</b>						
<b>Spendable Contributions</b>						
Annual appeal	\$ 2,139,504	\$ -	\$ 2,139,504	\$ 2,197,190	\$ -	\$ 2,197,190
Legacies, bequests and donations	255,982	71,085	327,067	738,195	54,860	793,055
Parish taxes	745,590	-	745,590	772,926	-	772,926
Home mission and extension grants	257,950	-	257,950	167,813	-	167,813
Seminarian collections and events	277,035	-	277,035	174,203	-	174,203
Release of donor restrictions	32,803	(32,803)	-	250,932	(250,932)	-
<b>Total Spendable Contributions</b>	<u>3,708,864</u>	<u>38,282</u>	<u>3,747,146</u>	<u>4,301,259</u>	<u>(196,072)</u>	<u>4,105,187</u>
<b>Income</b>						
Program service collections	732,006	-	732,006	186,537	-	186,537
Miscellaneous income	174,148	-	174,148	214,279	-	214,279
<b>Total Income</b>	<u>906,154</u>	<u>-</u>	<u>906,154</u>	<u>400,816</u>	<u>-</u>	<u>400,816</u>
<b>Total Operating Revenues</b>	<u>4,615,018</u>	<u>38,282</u>	<u>4,653,300</u>	<u>4,702,075</u>	<u>(196,072)</u>	<u>4,506,003</u>
<b>Operating Expenses</b>						
Program services	3,274,188	-	3,274,188	3,674,771	-	3,674,771
Supporting services	1,625,337	-	1,625,337	1,356,553	-	1,356,553
<b>Total Operating Expenses</b>	<u>4,899,525</u>	<u>-</u>	<u>4,899,525</u>	<u>5,031,324</u>	<u>-</u>	<u>5,031,324</u>
<b>Net Operating Revenue (Expense)</b>	<u>(284,507)</u>	<u>38,282</u>	<u>(246,225)</u>	<u>(329,249)</u>	<u>(196,072)</u>	<u>(525,321)</u>
<b>Other Changes in Net Assets</b>						
Net investment return (loss)	(4,245,054)	1,648,984	(2,596,070)	3,105,707	2,503,974	5,609,681
Nonspendable contributions	-	997	997	-	20,000	20,000
Transfer to related organization	-	(5,269,219)	(5,269,219)	-	-	-
<b>Total Other Changes in Net Assets</b>	<u>(4,245,054)</u>	<u>(3,619,238)</u>	<u>(7,864,292)</u>	<u>3,105,707</u>	<u>2,523,974</u>	<u>5,629,681</u>
<b>Total Changes in Net Assets</b>	<u>(4,529,561)</u>	<u>(3,580,956)</u>	<u>(8,110,517)</u>	<u>2,776,458</u>	<u>2,327,902</u>	<u>5,104,360</u>
<b>Net Assets – Beginning</b>	<u>12,646,764</u>	<u>20,111,432</u>	<u>32,758,196</u>	<u>9,870,306</u>	<u>17,783,530</u>	<u>27,653,836</u>
<b>Net Assets – Ending</b>	<u>\$ 8,117,203</u>	<u>\$ 16,530,476</u>	<u>\$ 24,647,679</u>	<u>\$ 12,646,764</u>	<u>\$ 20,111,432</u>	<u>\$ 32,758,196</u>

	Supporting Services			Total Supporting Services	Total Operating Expenses
	Program Services (**)	Management and General	Fundraising		
Grants and assistance to others	\$ 435,160	\$ -	\$ -	\$ -	\$ 435,160
Scholarships and seminarian education	266,894	-	-	-	266,894
Salaries, payroll taxes and benefits	* 901,249	322,679	462,230	784,909	1,686,158
Professional fees, accounting and legal	* 87,613	159,244	162,706	321,950	409,563
Accreditation and licensing	44,067	-	-	-	44,067
Continuing education	20,533	1,378	-	1,378	21,911
Conferences, dues and assessments	* 214,843	21,980	14,412	36,392	251,235
Printing, postage and office supplies	* 145,730	27,351	24,239	51,590	197,320
Religious supplies	2,663	-	-	-	2,663
Resource and education materials	18,481	2,131	-	2,131	20,612
Meals and entertainment	* 2,298	780	202	982	3,280
Building and equipment expenses	* 57,828	72,282	14,457	86,739	144,567
Rent	* 21,460	25,700	5,140	30,840	52,300
Telephone, technology and utilities	* 31,825	66,729	22,152	88,881	120,706
Religious gatherings and youth events	682,497	266	332	598	683,095
Travel	* 33,186	20,792	3,641	24,433	57,619
Interest	217,484	-	-	-	217,484
Depreciation	* 28,908	36,134	7,227	43,361	72,269
Miscellaneous	61,469	146,880	4,273	151,153	212,622
<b>Total Operating Expenses</b>	<b>\$ 3,274,188</b>	<b>\$ 904,326</b>	<b>\$ 721,011</b>	<b>\$ 1,625,337</b>	<b>\$ 4,899,525</b>

\* Each of these expense lines contains joint costs that are attributed to more than one program or supporting service and these joint costs have been allocated to the services on the basis of estimates of time and effort.

\*\* See the supplemental Consolidated Schedule of Functional Expenses – Program Services on page 31 for further detail of expense by major program.

	Supporting Services			Total Supporting Services	Total Operating Expenses
	Program Services (**)	Management and General	Fundraising		
Grants and assistance to others	\$ 1,092,990	\$ -	\$ -	\$ -	\$ 1,092,990
Scholarships and seminarian education	363,390	-	-	-	363,390
Salaries, payroll taxes and benefits	* 1,001,405	344,060	365,201	709,261	1,710,666
Professional fees, accounting and legal	* 15,499	231,294	47,400	278,694	294,193
Accreditation and licensing	34,611	-	-	-	34,611
Continuing education	18,658	792	219	1,011	19,669
Conferences, dues and assessments	* 91,417	16,818	11,881	28,699	120,116
Printing, postage and office supplies	* 149,816	60,705	16,870	77,575	227,391
Religious supplies	360	-	-	-	360
Resource and education materials	17,980	1,728	-	1,728	19,708
Meals and entertainment	* 1,134	2,484	116	2,600	3,734
Building and equipment expenses	* 22,608	28,253	5,652	33,905	56,513
Rent	* 20,100	24,000	4,800	28,800	48,900
Telephone, technology and utilities	* 81,476	61,001	43,567	104,568	186,044
Religious gatherings and youth events	65,962	1,091	53	1,144	67,106
Travel	* 24,039	7,588	1,665	9,253	33,292
Interest	623,599	-	-	-	623,599
Depreciation	* 31,926	39,625	7,920	47,545	79,471
Miscellaneous	17,801	21,340	10,430	31,770	49,571
<b>Total Operating Expenses</b>	<b>\$ 3,674,771</b>	<b>\$ 840,779</b>	<b>\$ 515,774</b>	<b>\$ 1,356,553</b>	<b>\$ 5,031,324</b>

\* Each of these expense lines contains joint costs that are attributed to more than one program or supporting service and these joint costs have been allocated to the services on the basis of estimates of time and effort.

\*\* See the supplemental Consolidated Schedule of Functional Expenses – Program Services on page 32 for further detail of expense by major program.



	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (8,110,517)	\$ 5,104,360
<b>Adjustments to Reconcile to Net Operating Cash Flow</b>		
Depreciation expense	72,269	79,471
Net investment (return) loss	2,596,070	(5,609,681)
Principal forgiveness on note payable	-	(191,820)
Nonspendable contributions	(997)	(20,000)
<b>Net Changes in Operating Assets and Liabilities</b>		
Accounts receivable	26,983	(97,050)
Contributions receivable, net	(38,282)	(42,215)
Prepaid expenses and other current assets	185,190	(180,393)
Accounts payable	(64,746)	(28,471)
Due to related organizations	103,610	46
Deferred revenue	(225,146)	225,146
<b>Net Cash Used In Operating Activities</b>	<u>(4,363,244)</u>	<u>(760,607)</u>
<b>Cash Flows from Investing Activities</b>		
Sale of investments	28,892,004	9,622,858
Purchase of investments	(9,775,139)	(12,519,812)
Transfer to beneficial interest in related organization	(3,913,289)	-
Principal repayments on notes receivable	340,219	131,679
Principal issued on notes receivable	(2,162,275)	(249,000)
Purchase of property and equipment	(19,053)	(28,528)
<b>Net Cash Provided by (Used In) Investing Activities</b>	<u>13,362,467</u>	<u>(3,042,803)</u>
<b>Cash Flows from Financing Activities</b>		
Net proceeds (payments) on deposits held for others	(13,041,898)	8,347,504
Nonspendable contributions	997	20,000
<b>Net Cash Provided by (Used In) Financing Activities</b>	<u>(13,040,901)</u>	<u>8,367,504</u>
<b>Net Change in Cash, and Cash Equivalents</b>	(4,041,678)	4,564,094
<b>Cash and Cash Equivalents – Beginning</b>	<u>7,188,893</u>	<u>2,624,799</u>
<b>Cash and Cash Equivalents – Ending</b>	<u>\$ 3,147,215</u>	<u>\$ 7,188,893</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest expense	<u>\$ 217,484</u>	<u>\$ 634,572</u>

**Note 1: Summary of Significant Accounting Policies**

**Organization and Mission**

The Roman Catholic Diocese of Salina (the Diocese), formerly the Catholic Diocese of Concordia, was established on August 2, 1887. The Episcopal See was moved from Concordia to Salina on December 23, 1944. The Diocese was legally established in 1966 through a declaration of trust which was recorded in the Register of Deeds' office in Saline County, Kansas.

The counties included in the Diocese are Cheyenne, Sherman, Wallace, Logan, Thomas, Rawlins, Decatur, Sheridan, Gove, Trego, Graham, Norton, Phillips, Rooks, Ellis, Russell, Osborne, Smith, Jewell, Mitchell, Lincoln, Ellsworth, Saline, Ottawa, Cloud, Republic, Washington, Clay, Dickinson, Geary, and Riley. It covers 26,685 square miles and has a Catholic population of 36,955. The Diocese is organized under the governance of the Bishop of the Diocese, and those who assist the Bishop, and fulfills its mission by serving parishes, schools, and other Diocesan organizations in the following ways:

- Providing assistance in the administration of pastoral, education, and vocational services
- Providing funding for religious education and vocation development, community and human development, Diocesan schools, and charitable activities
- Providing administrative support in areas of finance, legal matters, human resources, facilities management, and technology.

**Financial Reporting Entity**

The consolidated financial statements present the financial position, changes in net assets, and cash flows for the *General Fund* and *Seminary and Education Fund*, which are each under direct operational control of the Diocese. In addition to these funds, the following separate, legal Kansas not for profit corporations have been included in these consolidated financial statements as each is under direct control by the Bishop of the Diocese:

- The Register of the Roman Catholic Diocese of Salina, Inc.
- The Roman Catholic Diocese of Salina Deposit and Loan, Inc.
- Salina Catholic Diocese Education Endowment, Inc.
- Salina Catholic Diocese Seminary Burses, Inc.

The assets of these separate, legal corporations are not available to meet the general obligations of the Diocese. To ensure observance of limitations and restrictions placed on the use of resources available to the Diocese, the accounts of each fund and entity noted above are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting into funds established according to their nature and purposes. All significant interfund and intercompany balances and transactions have been eliminated in the totals presented in the accompanying financial statements.

During 2022, the Salina Catholic Diocese Education Endowment, Inc. (the Education Endowment) was restructured as the Catholic Foundation for Diocese of Salina (the Foundation) with its own governing body. For that reason, the net assets of the Education Endowment were deconsolidated during 2022 through a net asset transfer which is reported on the statement of activities for the year ended June 30, 2022.

**Related Organizations**

Institutions operating in the name of the Catholic Church within the Diocese consist of approximately 86 parishes, 15 Catholic schools, the Catholic Charities of Northern Kansas, Inc., the Catholic Foundation for Diocese of Salina, and the Salina Diocesan Clergy Health and Retirement Association, Inc. Each of these activities, as well as other Diocesan activities such as cemeteries or campus centers, are an operating entity distinct from the Diocese under the administration of the one who immediately governs them (CIC 1279). These institutions and organizations are not included in these financial statements. Each of these entities maintains separate financial records and carries out its own services and programs.

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting and Financial Reporting**

The Diocesan policy is to prepare these consolidated financial statements on the accrual basis of accounting in accordance with financial reporting provisions prescribed by the Financial Accounting Standards Board. This basis of accounting is commonly known as U.S. Generally Accepted Accounting Principles (U.S. GAAP).

**Cash and Cash Equivalents**

The Diocese considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The Diocese manages deposit concentration risk by placing banking deposits with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. The Diocese did not experience losses related to this type of risk during the years ended June 30, 2022 and 2021.

**Investments and Financial Institution Risk**

The Diocese records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position if a readily determinable market value is available. If a market value is not readily determinable, the investment is carried at its originally recorded value. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Investments are made by diversified investment managers whose performance is monitored by the Diocese and the investment committee of the Diocese. Although the fair values of investments are subject to interest rate, market and credit risks on an ongoing basis, the Diocese and the finance council believe that the investment policies and guidelines are prudent for the long-term welfare of the Diocese. A significant portion of investment securities are held by two brokers with balances in excess of the \$500,000 Securities Investor Protection Corporation (SIPC) limitation. However, the brokers provide additional coverage above the SIPC limits up to a firm aggregate limit of \$1 billion, of which \$1,900,000 may be in cash.

**Property and Equipment, Net**

The Diocese records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. The Diocese reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset.

**Notes Receivable From Related Organizations**

As part of its mission, the Diocese issues through the Deposit and Loan Fund loans primarily for capital projects to related organizations. These loans are issued with terms that required periodic payments of interest at 3.25% for the years ended June 30, 2022 and 2021. The Diocese approved increasing the rate to 3.75% on November 1, 2022. Due to the missional nature of the loans and the relationship of the related organizations to the Diocese, no allowance for credit losses has been established at June 30, 2022 or 2021.

**Note 1: Summary of Significant Accounting Policies (Continued)****Funds on Deposit Due to Related Organizations**

Diocesan parishes, schools and other related organizations have placed funds on deposit with the Deposit and Loan Fund of the Diocese. In turn, the Diocese pools these funds for investment purposes to generate net investment return which is then able to provide (1) a return of interest to the depositors and (2) to provide funding which may be used to support other mission-related activities of the Diocese. The approved rates of return on deposited funds are as follows:

From	To	Interest Rate
January 1, 2020	June 30, 2020	2.25%
July 1, 2020	June 30, 2021	2.00%
July 1, 2021	June 30, 2022	1.00%

The Diocese approved increasing the interest rate on these deposits to 1.5% effective November 1, 2022. These rates are monitored by the Diocesan Investment Committee, reviewed by the Diocesan Finance Council, and then recommended to the Bishop of the Diocese, and are determined based on assessment of economic conditions and the needs of Diocesan related organizations. Based on experience of managing deposited funds, the Diocese classifies the liability for funds on deposit due to related organizations as a noncurrent liability.

**Net Assets**

The Diocese holds financial resources which are operated with both custody and decision-making ability and are reported as part of its net assets. The decision-making ability with respect to these financial resources ranges from unlimited to limited based upon the imposition of donor and grantor restrictions to which the Diocese is legally bound. Accordingly, the Diocese reports the changes in its financial position according to two classes of net assets as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. 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 those 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.

The Diocese honors donor intent as prescribed in civil law and the Code of Canon (Catholic Church ) law, “The offerings given by the faithful for a definite purpose can be applied only for that same purpose.” CIC 1267 §3 Both canon and civil law recognize that over time, unique or changing events or circumstances may occur that make it not possible to fulfill a donor restriction. In this situation, the Diocese recognizes that as an organization that receives public support, in accordance with United States Treasury Regulations, the Diocese possesses variance power. Variance power is the right to remove donor-imposed restrictions upon a gift in response to changed circumstances.

The Diocese interprets this variance power to apply to endowment restrictions as well as purpose restrictions. This power is exercisable only in narrowly defined circumstances. “If, through no fault of the administrator, the fulfillment of the obligations becomes impossible...the ordinary can diminish them ...with due regard for the will of the founder as much as possible...” CIC 1320 §2. Since this variance power is incorporated by reference in most gift instruments, the Diocese views its variance power as an explicit expression of donor intent. Based on this provision, except as noted above in the section describing Net Assets With Donor Restrictions, the Diocese classifies donations and gifts received without explicit restriction as without donor restriction for financial statement presentation.

**Note 1: Summary of Significant Accounting Policies (Continued)****Revenue Recognition - Contributions**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

**Functional Allocation of Expenses**

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Use of Estimates**

The preparation of these financial statements in conformity with generally accepted accounting principles requires the Diocese to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

**Income Taxes**

The Diocese has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(c)(3) as part of group exemption 0928 which is issued by the IRS to the *United States Conference of Catholic Bishops*. Further, the Diocese qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii) and is not a private foundation under IRC Sections 509(a)(1).

The Diocese is exempt from the requirement to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. However, the Diocese is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. For the years ended June 30, 2022 and 2021, the Diocese has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Returns filed by the Diocese are subject to IRS examination, generally for three years after each return is filed. No taxing authorities have commenced income tax examinations for open tax years.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented.

**Subsequent Events**

The Diocese has evaluated subsequent events through November 30, 2022 which is the date the financial statements were available to be issued.

**Recent Accounting Guidance**

The Financial Accounting Standards Board (FASB) has issued the following accounting standards update (ASU) which the Diocese has evaluated for implementation beginning with the year ended June 30, 2023.

*ASU No. 2020-07 Contributed Nonfinancial Assets*

Contribution revenue may currently include gifts of land, buildings, equipment, use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.

This new standard requires contributions of these types to be separately reported on the statement of activities, apart from contributions of cash and other financial assets. In addition, disclosure will be required about how the nonprofit organization intends to use or sell the contributed nonfinancial asset.

**Note 2: Liquidity and Availability**

The Diocese regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Diocese has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, accounts and contributions receivable and a beneficial interest in a related organization.

The Diocese manages its cash available to meet general expenditures following three guiding principles:

1. Operating within a prudent range of financial soundness and stability.
2. Maintaining adequate liquid assets to fund near-term operating needs; and
3. Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will continue to be met.

The table below presents liquid financial assets as of June 30, 2022 which are available for general expenditures during the year ended June 30, 2023:

	<u>Liquid</u>	<u>Not Available</u>	<u>Liquid and Available</u>
Cash and cash equivalents	\$ 3,147,215	\$ 2,191,978	\$ 955,237
Accounts receivable	200,583	-	200,583
Contributions receivable, net	221,329	221,329	-
Investments (at fair value)	41,596,103	41,596,103	-
Beneficial interest in related organization	3,913,289	3,913,289	-
	<u>\$ 49,078,519</u>	<u>\$ 47,922,699</u>	<u>\$ 1,155,820</u>

As part of the Diocesan liquidity management plan, liquid, and available cash in excess of daily requirements and near-term operating needs is maintained on deposit with interest bearing bank deposits and invested in marketable securities. Liquid resources as of June 30, 2022 which are not available for general operating expenses during the year ended June 30, 2023 are as follows:

	<u>Diocesan Designations</u>	<u>Donor Restrictions</u>	<u>Funds on Deposit Due to Related Organizations</u>	<u>Not Available</u>
Cash and cash equivalents	\$ -	\$ 2,191,978	\$ -	\$ 2,191,978
Contributions receivable, net	-	221,329	-	221,329
Investments (at fair value)	3,255,598	10,203,880	28,136,625	41,596,103
Beneficial interest in related organization	-	3,913,289	-	3,913,289
	<u>\$ 3,255,598</u>	<u>\$ 16,530,476</u>	<u>\$ 28,136,625</u>	<u>\$ 47,922,699</u>

**Note 3: Property and Equipment, Net**

Property and equipment assets are presented net of accumulated depreciation on the statements of financial position as follows:

	<u>2022</u>	<u>2021</u>
Land and Buildings	\$ 1,669,285	\$ 1,669,285
Office furnishings and equipment	549,312	530,258
Vehicles	115,206	115,206
<b>Cost Basis of Property and Equipment</b>	<u>2,333,803</u>	<u>2,314,749</u>
Accumulated depreciation	(1,229,711)	(1,157,441)
<b>Property and Equipment, Net</b>	<u>\$ 1,104,092</u>	<u>\$ 1,157,308</u>

**Note 4: Fair Value Measurements and Disclosures**

The Diocese reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Diocese can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, the Diocese develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset, or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Diocesan assessment of the quality, risk, or liquidity profile of the asset or liability.

The investment assets of the Diocese are classified within Level 1 because each asset is comprised of marketable securities with readily determinable fair values based on active exchange prices.

The following table presents assets measured at fair value on a recurring basis at June 30,:

	Fair Value Level	2022	2021
<b>Assets Measured at Fair Value</b>			
<b>Investments (at fair value)</b>			
Cash and cash equivalents	Level 1	\$ 2,114,937	\$ 8,589,186
Certificates of deposit	Level 1	10,376	10,227
Stocks	Level 1	4,858,798	10,323,278
Bonds	Level 1	7,904,911	13,809,155
Mutual funds	Level 1	26,707,081	30,577,192
<b>Total Assets Measured at Fair Value</b>		<b>\$ 41,596,103</b>	<b>\$ 63,309,038</b>

There were no other assets or liabilities measured and reported at fair value for 2022 or 2021.

**Note 5: Net Assets with Donor Restrictions**

Net assets with donor restrictions are composed of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>Spendable in a Future Year</b>		
Contributions receivable, net	\$ 221,329	\$ 183,047
<b>Fully Spendable for a Specified Purpose</b>		
General	1,077,849	1,077,849
Seminary and education	27,237	27,237
Deposit and loan	1,107,134	1,096,183
<b>Total of Fully Spendable for a Specified Purpose</b>	<u>2,212,220</u>	<u>2,201,269</u>
<b>Endowments</b>		
General	2,725,169	2,603,966
Seminary and education	3,638,982	3,137,817
The Register	3,772,927	3,305,358
Education endowment	-	5,244,788
Seminary burses	3,959,849	3,435,187
<b>Total Endowments</b>	<u>14,096,927</u>	<u>17,727,116</u>
<b>Total Net Assets With Donor Restrictions</b>	<u>\$ 16,530,476</u>	<u>\$ 20,111,432</u>

Net assets were released from donor restrictions during the years ended June 30, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
<b>Satisfaction of Purpose Restrictions</b>		
General	\$ -	\$ 3,760
Deposit and loan	-	26,527
Education endowment	-	218,000
<b>Total Satisfaction of Purpose Restrictions</b>	<u>-</u>	<u>248,287</u>
<b>Satisfaction of time restrictions</b>		
Contributions receivable, net	<u>32,803</u>	<u>2,645</u>
<b>Total Net Assets Released from Donor Restrictions</b>	<u>\$ 32,803</u>	<u>\$ 250,932</u>

**Note 6: Endowments**

The Diocesan endowment (the Endowment) consists of individual funds established by donors to provide annual funding for purposes which support ongoing mission-type activities. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Bishop of the Diocese.

The Diocese has interpreted the Kansas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022 and 2021, there were no such donor stipulations.

As a result of this interpretation, the Diocese retains in perpetuity (a) the original value of initial and subsequent gift amounts and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.



**Note 6: Endowments (Continued)**

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by UPMIFA. The Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

*Investing and Spending Policies*

The Diocese has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount.

To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time. Changes in Diocesan designated endowments for the years ended June 30, 2022 and 2021 are as follows:

	<b>Diocesan Designated Endowments</b>		
	<b>Nonspendable Principal</b>	<b>Accumulated Earnings</b>	<b>Total</b>
<b>Balance at June 30, 2020</b>	\$ 3,092,651	\$ 268,357	\$ 3,361,008
Contributions	-	37,500	37,500
Grants and scholarships	-	(156,330)	(156,330)
<b>Balance at June 30, 2021</b>	3,092,651	149,527	3,242,178
Contributions	-	60,100	60,100
Grants and scholarships	-	(165,510)	(165,510)
<b>Balance at June 30, 2022</b>	<b>\$ 3,092,651</b>	<b>\$ 44,117</b>	<b>\$ 3,136,768</b>

Changes in donor restricted endowments for the years ended June 30, 2022 and 2021 are as follows:

	<b>Donor Restricted Endowments</b>		
	<b>Nonspendable Principal</b>	<b>Accumulated Earnings</b>	<b>Total</b>
<b>Balance at June 30, 2020</b>	\$ 11,230,859	\$ 4,190,283	\$ 15,421,142
Contributions	20,000	-	20,000
Net investment return	-	2,503,974	2,503,974
Grants and scholarships	-	(218,000)	(218,000)
<b>Balance at June 30, 2021</b>	11,250,859	6,476,257	17,727,116
Contributions	997	-	997
Net investment return	-	1,613,602	1,613,602
Transfer to related organization	(3,805,820)	(1,438,968)	(5,244,788)
<b>Balance at June 30, 2022</b>	<b>\$ 7,446,036</b>	<b>\$ 6,650,891</b>	<b>\$ 14,096,927</b>

**Note 7: Related Organization Balances and Transactions**

Significant related organization assets and (liabilities) are as follows at June 30,:

	<u>2022</u>	<u>2021</u>
Loans receivable from Diocesan schools and parishes	\$ 2,143,843	\$ 321,787
Beneficial interest in Catholic Foundation for Diocese of Salina	3,913,289	-
Funds on deposit due to Diocesan schools and parishes	(28,136,625)	(40,086,201)
Due to Salina Diocesan Clergy Health and Retirement Association, Inc.	(103,610)	(66,224)
Due to Catholic Charities of Northern Kansas, Inc.	(294,523)	(294,523)
<b>Net Liability Due to Related Organizations</b>	<b>\$ (22,477,626)</b>	<b>\$ (40,125,161)</b>

Significant revenue and (expense) transactions with related organizations are as follows for each of the years ended June 30,:

	<u>2022</u>	<u>2021</u>
Taxes collected from Diocesan parishes	\$ 745,590	\$ 772,926
Grants and other financial assistance from the Seminary and Education fund to Diocesan schools	(165,510)	(156,330)
Grants and other financial assistance from the Education Endowment fund to Diocesan schools	-	(218,000)
Grants and other financial assistance from the General Fund to Salina Diocesan Clergy Health and Retirement Association, Inc.	(241,589)	(408,330)
Interest paid on deposits held for Diocesan schools and parishes	(217,484)	(623,599)
<b>Net Revenue (Expense) Transactions with Related Organizations</b>	<b>\$ 121,007</b>	<b>\$ (633,333)</b>

As disclosed in note 1, the Education Endowment Inc. entity was restructured as the Catholic Foundation for Diocese of Salina (the Foundation) during the year ended June 30, 2022 and was deconsolidated from the Diocesan financial reporting entity. As part of this deconsolidation, the Diocese transferred \$5,269,219 of net assets to the Foundation which is separately stated as a *Transfer to related organization* within the *Other Changes in Net Asset* section of the statement of activities for the year ended June 30, 2022. The transfer required that the Foundation maintain the donor restricted funds and related organization depositor accounts under the same terms and conditions as were in place prior to the transfer.

During the year ended June 30, 2022, the Diocese also transferred funds to the Foundation and named itself as the beneficiary. The terms of this transfer granted the Foundation variance power over the fund, which may only be exercised at the discretion of the Bishop of the Diocese.

**Note 8: Defined Benefit Pension Plan****Plan Description**

The Diocese participates in the Christian Brothers Employee Retirement Plan (the Plan), a cost-sharing multiple-employer defined benefit pension plan within the meaning of Section 414(e) of the Internal Revenue Code. The Plan is sponsored by Christian Brothers Major Superiors and has elected its option of not complying with the provisions of ERISA and thus IRS Form 5500 is not required to be filed.

**Contributions**

The Diocese contributes on behalf of its eligible employees, as defined by the Plan, at the rate of 6.5% of compensation.

**Benefits**

Participants are entitled to annual pension benefits beginning at normal retirement age (65) based on a formula which takes into account the years of service and compensation. The Plan permits early retirement at ages 55 to 64. Effective July 1, 2021 the normal retirement age changed to social security normal retirement age for all participants who are 64 and younger as of June 30, 2021, and a participant has the option of receiving a lump sum benefit equal to the actuarial equivalent of the life annuity benefit otherwise payable at normal retirement times the funded ratio of the Plan as of the prior evaluation date.

If participants terminate employment before completing four years and nine months of service, they forfeit the right to receive a portion of their accumulated plan benefits attributable to employer contributions. Retiring participants will receive benefits as a life annuity or joint and survivor annuity payable monthly upon retirement. Participants terminating employment for reasons other than retirement may elect to receive benefits either in lump or life annuity or joint and survivor annuity payable monthly upon normal retirement age. Participants have similar elections available for death benefits.

**Withdrawal Liability**

In the event that Diocesan participation in the Plan is terminated, the Diocese is liable for its share of the Plan's unfunded liability in addition to an amount representing the Plan's reasonable estimate of future plan expenses relating to benefits for the Diocesan participants and pensioners. The withdrawal liability is recognized when a signed agreement is executed, and collectability is determined. For the year ended June 30, 2022, there were three Plan employers (exclusive of the Diocese) which were assessed a withdrawal liability totaling \$6,860,615 which was paid during the year. There were no withdrawal liabilities reported by the Plan for the year ended June 30, 2021.

**Funded Ratio and Proportion of Diocese Participation**

The following summary information is based on the financial statements and corresponding note disclosures of the Plan as of June 30, 2022 and 2021 and for the years then ended:

	<u>2022</u>	<u>2021</u>
Net assets available for Plan benefits	\$ 1,465,820,775	\$ 1,643,404,366
Actuarial present value of accumulated Plan benefits	+ 2,239,568,948	+ 2,131,426,000
<b>Funded ratio</b>	<u>65.45%</u>	<u>77.10%</u>
Contributions by the Diocese	\$ 86,793	\$ 66,550
Contributions received by the Plan	+ 62,702,881	+ 68,621,799
<b>Proportion of Diocese to Plan Contributions</b>	<u>0.14%</u>	<u>0.10%</u>

**Note 9: Prior Period Adjustment**

During the year ended June 30, 2022, the Diocese corrected the classification of the Bishop Fitzsimons loan payable account no. 435 (the Account). In previously issued consolidated financial statements, the Account was reported as part of the liability for *Funds on Deposit Due to Related Organizations*. In the currently presented consolidated financial statements, the Account has been reclassified as part of net assets with donor restrictions because (a) the Account was originally financed by donations which were restricted for seminarian education and (b) the Account is administered by the Diocese as opposed to a third party related Diocesan depositor.

The following is a summary of the effect of this change on the restated consolidated financial statements as of and for the year ended June 30, 2021:

	<u>Previously Reported</u>	<u>Increase (Decrease)</u>	<u>Currently Restated</u>
<b>Statement of Financial Position</b>			
Liability for funds on deposit due to related organizations	\$ 41,178,523	\$ (1,092,322)	\$ 40,086,201
Net assets with donor restrictions	19,019,110	1,092,322	20,111,432
<b>Statement of Activities</b>			
Legacies, bequests and donations with donor restrictions	44,860	10,000	54,860
Release of donor restrictions	224,405	26,527	250,932
Program services expense	3,648,244	26,527	3,674,771
Net assets with donor restrictions – beginning	16,674,681	1,108,849	17,783,530
<b>Statement of Functional Expense</b>			
Grants and assistance to others	1,055,490	37,500	1,092,990
Interest expense	634,572	(10,973)	623,599
<b>Statement of Cash Flows</b>			
Net proceeds on deposits held for others	8,330,977	16,527	8,347,504
Cash paid for interest expense	634,572	(10,973)	623,599